

Implementing Market Segmentation Using Licensing

Urshit Parikh

urshit@cisco.com

Market Segmentation in Enterprise Systems Today

Fixed Configuration

20 and 40
FC ports



MDS 9120
MDS 9140

16-48 FC ports



MDS 9216

Modular

128 FC ports



MDS 9506

224 FC ports



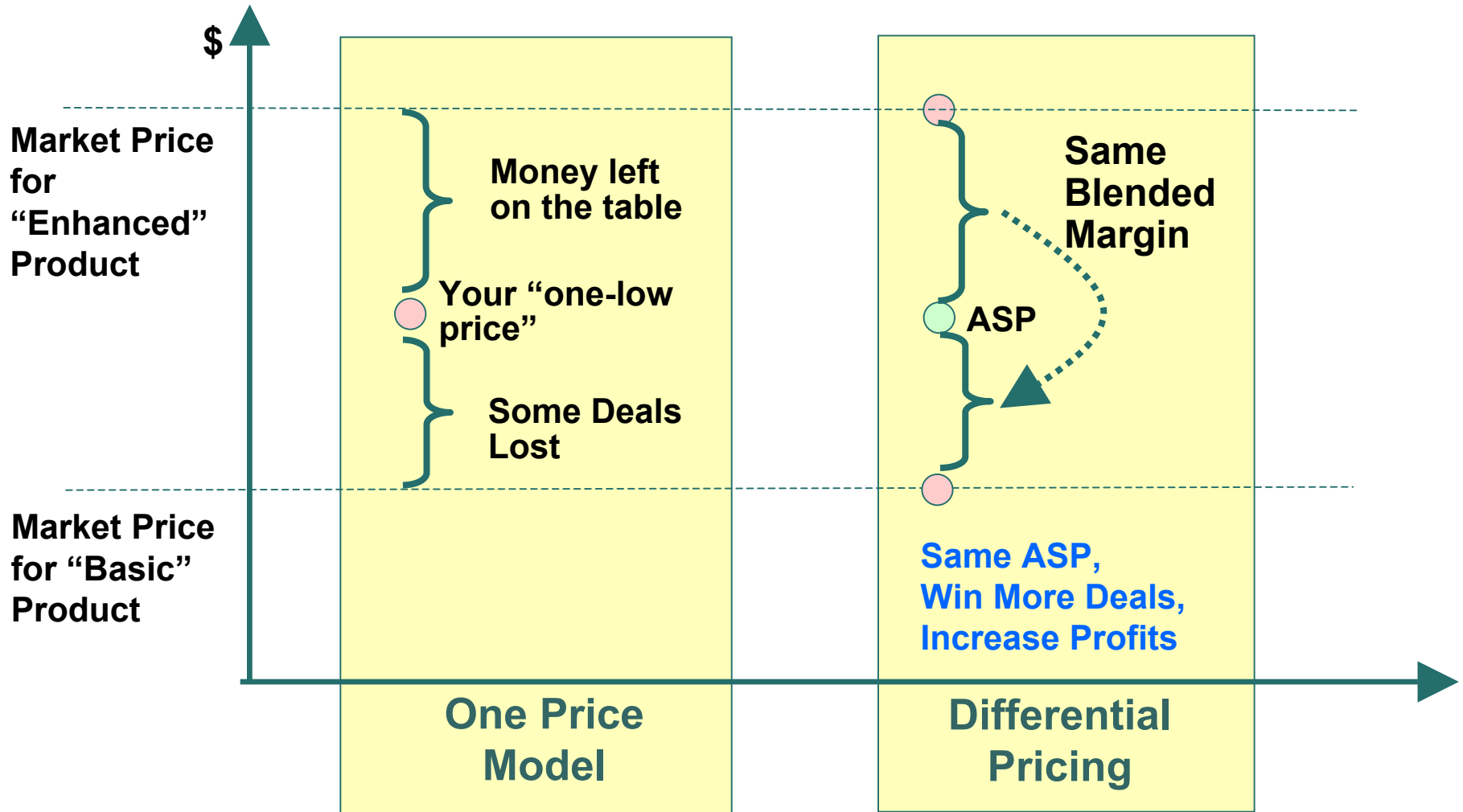
MDS 9509

- Low End (Small Systems) versus High End (Large Systems)
- Simple to explain & sell
- Business model driven by margins on system COGs

IT trends that suggest an increased role for feature licensing on Enterprise Systems

Business Need	Underlying Trend
Stabilize ASPs	Customers expect HW prices to fall faster than SW
Address diverse customer requirements	Not all customers want all features
Profit from Customer Support	Increased HW reliability is decreasing HW support costs “The software stability – or lack of thereof – has become a critical factor in support costs” - Gartner
Optimize R&D ROI	Many enterprise systems R&D teams use more SW resources than HW resources

Pricing Strategy Evolution



Key Challenge – How will you get your organization ready for this evolution of business model?

Is feature licensing really a good idea?

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How will we track licenses through our **channels**?

Will we get branded as an **expensive product**?

How will our **sales force transition** to selling licenses?

Customer's hate it if you **nickel & dime** them

Will we not lose deals due to increased **complexity** of the sales cycle?

Will customers accept the new pricing strategy?

Can we manage and **support** licenses on a large scale?

How can we prevent **cannibalization** of existing revenue?

Will we not have an adverse impact on **customer satisfaction**?

Can we give away the **software for free** to get a deal?

How can we have better software attach rates than the industry?

Won't licensing compromise solution **availability** in a utility model?

Is the extra revenue worth the risk and costs of implementation?

Roll-up your sleeves and do some hands-on market research..

- **Use in-house expertise**
 - IT Managers provide the current best practices
- **Customers - Storage TAB Feedback**
 - End users approve of the notion of a pay-as-you-use model (licensing)
 - License usability is a nightmare with existing products
 - Concern about compromising availability
- **Ask your sales force**
 - Get first hand data on the sales dynamics
- **Leverage your business partners**
 - Find out what sells and how it sells

Keep the licensing model simple and communicate effectively

- **Logically bundle features into packages**
- **Customers should perceive the package as good value for money**
- **Minor upgrades for free, major upgrades included in enhanced support contracts**
- **One license per switch for switch features, one license per module for special module features**
- **Educate your customers, business partners and all customer facing employees**

Seamless user experience

- **Electronic licenses**
 - **Installed on the switch at factory**
 - **Serial number based support entitlement**
- **License Management Automation**
 - **Central license management console**
 - **Use of XML web-services to automate license key management**
- **As much security as practical**
 - **No golden keys**
 - **Make compliance easy**

Ensure licensing has availability expected of a utility

- **No single point of failure**
 - **License file mirroring**
 - **License manager process failover**
- **Surviving multiple failures**
 - **Use of chassis SPROM**
- **Instantaneous recovery from catastrophic failure**
 - **Grace period for license enforcement**
- **Preventive measures**
 - **Minimize chances of human error**
 - **Alerts & Call Home**

Other implementation guidelines

- **XML web-service integration for license procurement & management with business partners**
- **24 x 7 support empowered for customer satisfaction**
- **Mitigate risk at every opportunity**
- **Continuous Improvement**

Critical Success Factors

Type of Challenge	Critical Success Factor
Sales	Simplicity Value for Money
Customer Satisfaction	Ease of Use & Compliance High Availability
Operational Readiness	Organizational Training Phased Implementation Integration & Automation