Trends and Predictions for Software Pricing & Licensing, and First Look at the 2009 Survey Results

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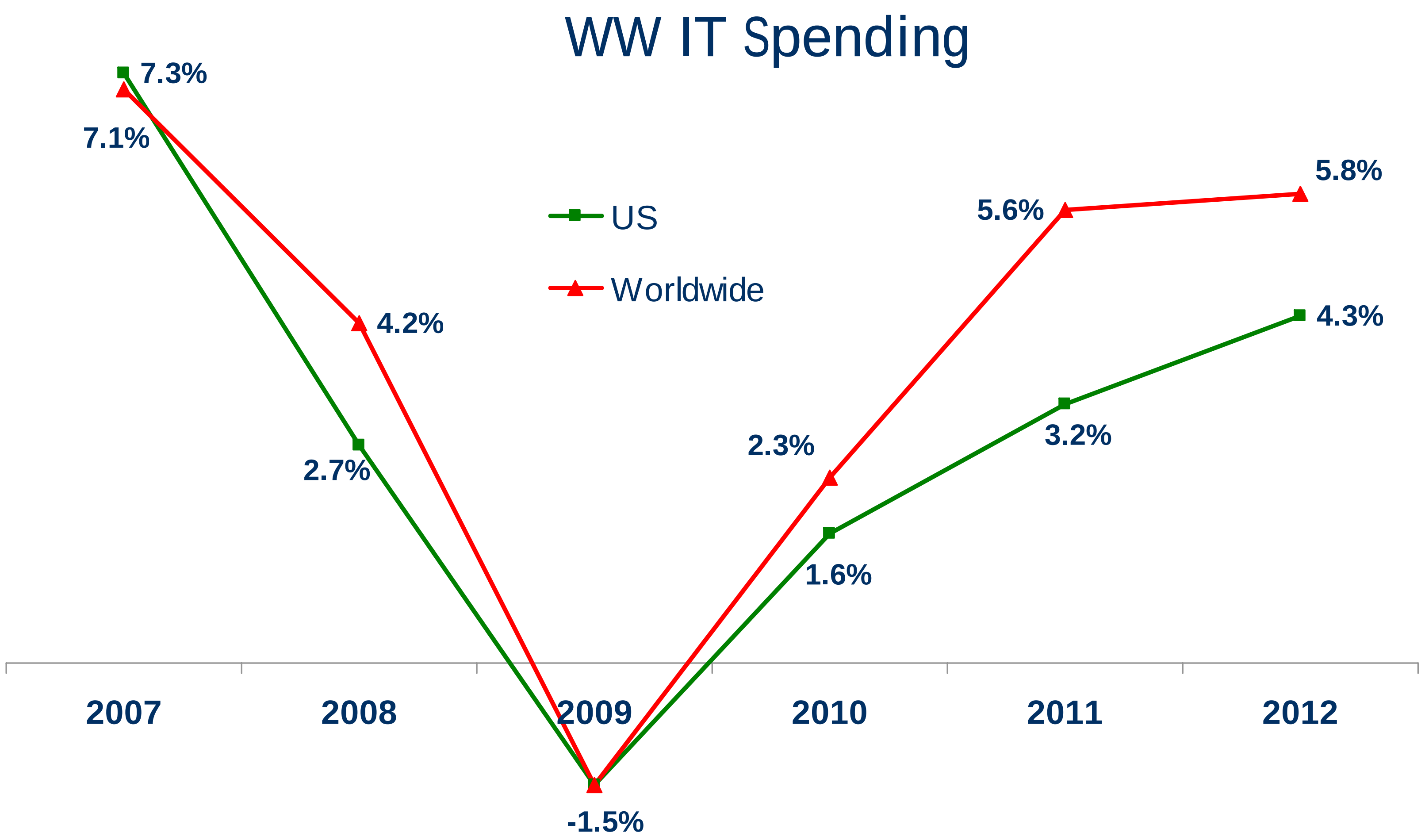
IDC IT Spending Expectations



Visceral Reactions- ISVs

- Renegotiating existing contracts with partners
  - OEM, ISV Royalty
  - Where are the negotiation points?
- Looking for ways to gain competitive advantage
  - Project Liberate
  - 3rd Party Maintenance Firms
  - Others
- Reducing prices
  - Big discounts on license
  - Concessions on maintenance
  - Canceling or delaying scheduled price increases
- Launching or refining new business strategies
  - Subscription/term licensing
  - Software as a Service (SaaS)
  - Open Source
- Looking to improve licensing operations
  - Technology

Visceral Reactions- Enterprises

- Renegotiating existing contracts
  - Bigger discounts
  - More flexibility
- Looking for ways to reduce maintenance spend
  - Dropping maintenance
  - 3rd Party maintenance
- Looking to expense software costs
  - Subscription licensing
  - Software as a Service (SaaS)
  - Open Source
- Optimizing their license spend
  - Technology
  - Enterprise

Trending Topics

Subscription

Electronic Software Distribution (ESD)

Transparency

Simplicity

Policy

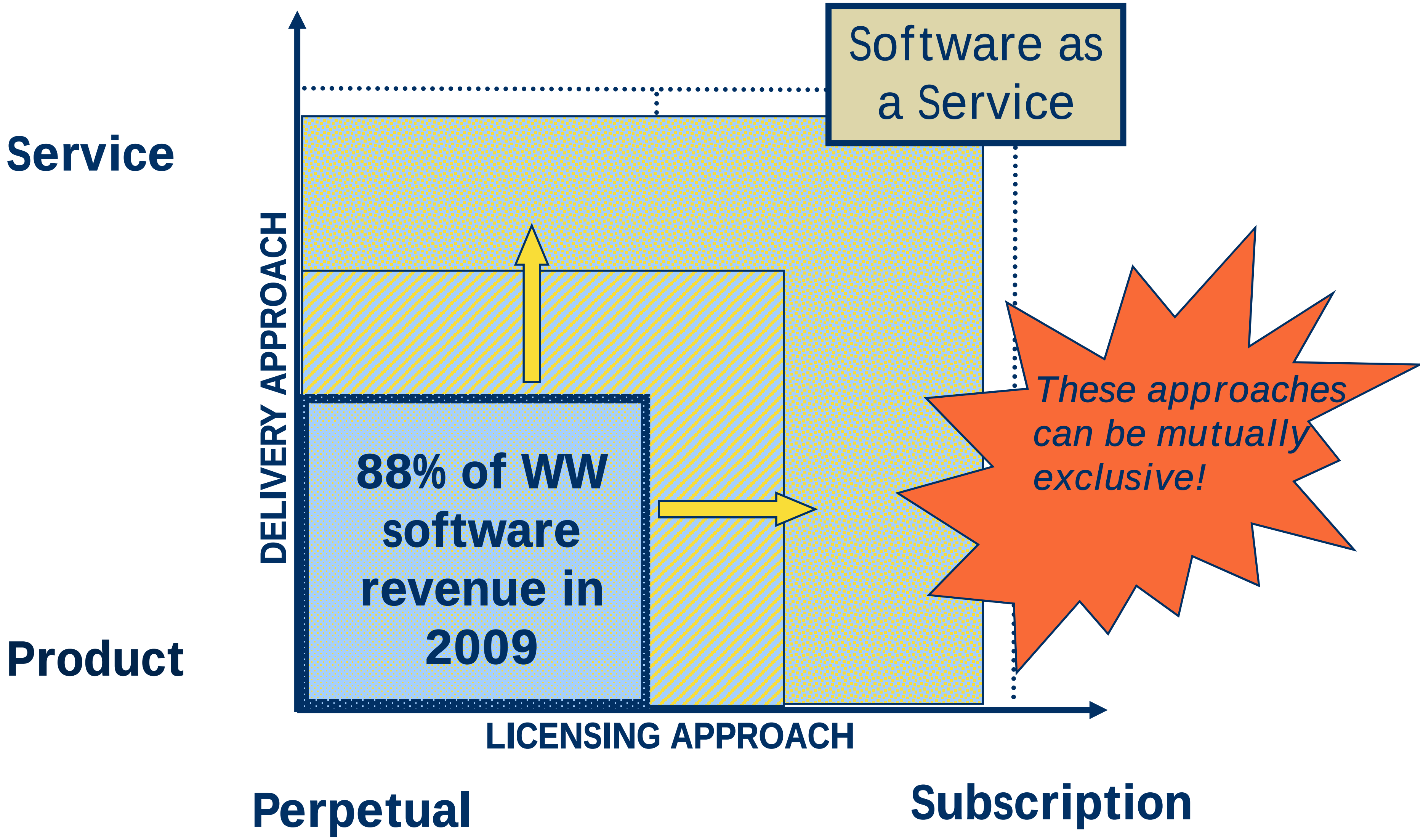
Scary!

License strategy in virtual environments

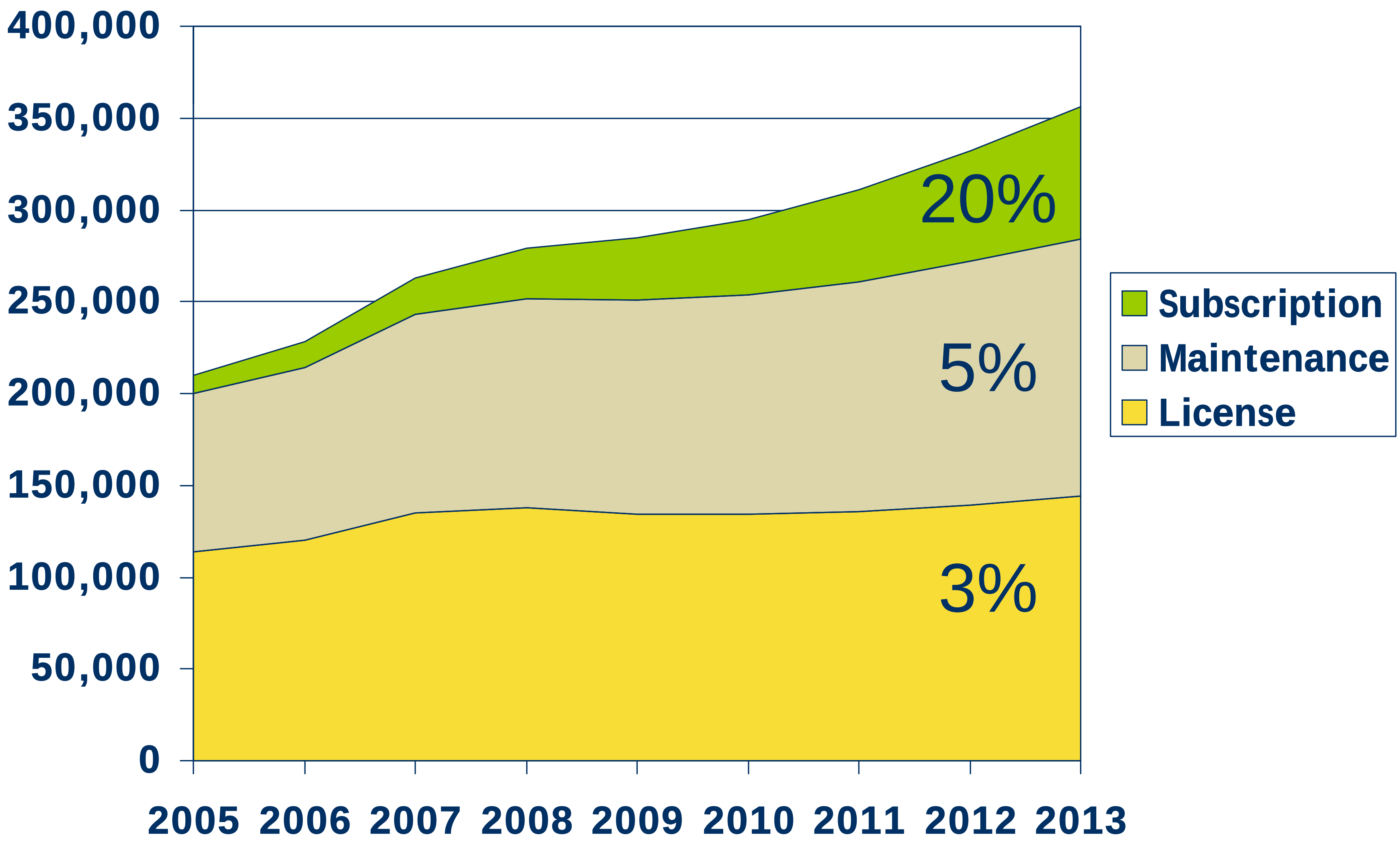
Custom

Financing

Software Industry Landscape



Total Software Revenue Mix, 2005-2013



Subscription is Here

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1. Of the top 100 software vendors worldwide by revenue, **40%** report subscription revenues
2. For 13% of the top 100, subscription represents **greater than 50%** of total software revenues
3. Salesforce.com is the only pure-play SaaS provider to make it into the top 10 vendors according to software subscription revenue
4. Projected growth in SaaS impacts the subscription forecast, with SaaS-revenues making up 32% of the overall subscription forecast in 2008 and 33% in 2009.
5. 2009 Spending on SaaS (est $9.5B WW) is YoY growth of 42% vs. All software: (3.4%) vs. All Applications (5.6%)

Fall 2009 Software Licensing Survey

IDC Analyze the Future

- Web Survey conducted August-October 2009
- Enterprise:
  - Total sample 122
  - Respondent- Senior IT, Director and Above
  - Mostly Larger enterprises >$500 million revenues
    - 71% North America
    - 17% Europe
    - 9% Asia Pacific
- Vendor
  - Total sample 184
  - Respondent- Director and above from: Product Management, Engineering, Operations and Manufacturing.
  - Range of Revenues- Large population of Small ISVs(under $100 million)
    - 74% North America
    - 16% Europe
    - 7% Asia Pacific

ISV- More Flexible Licensing

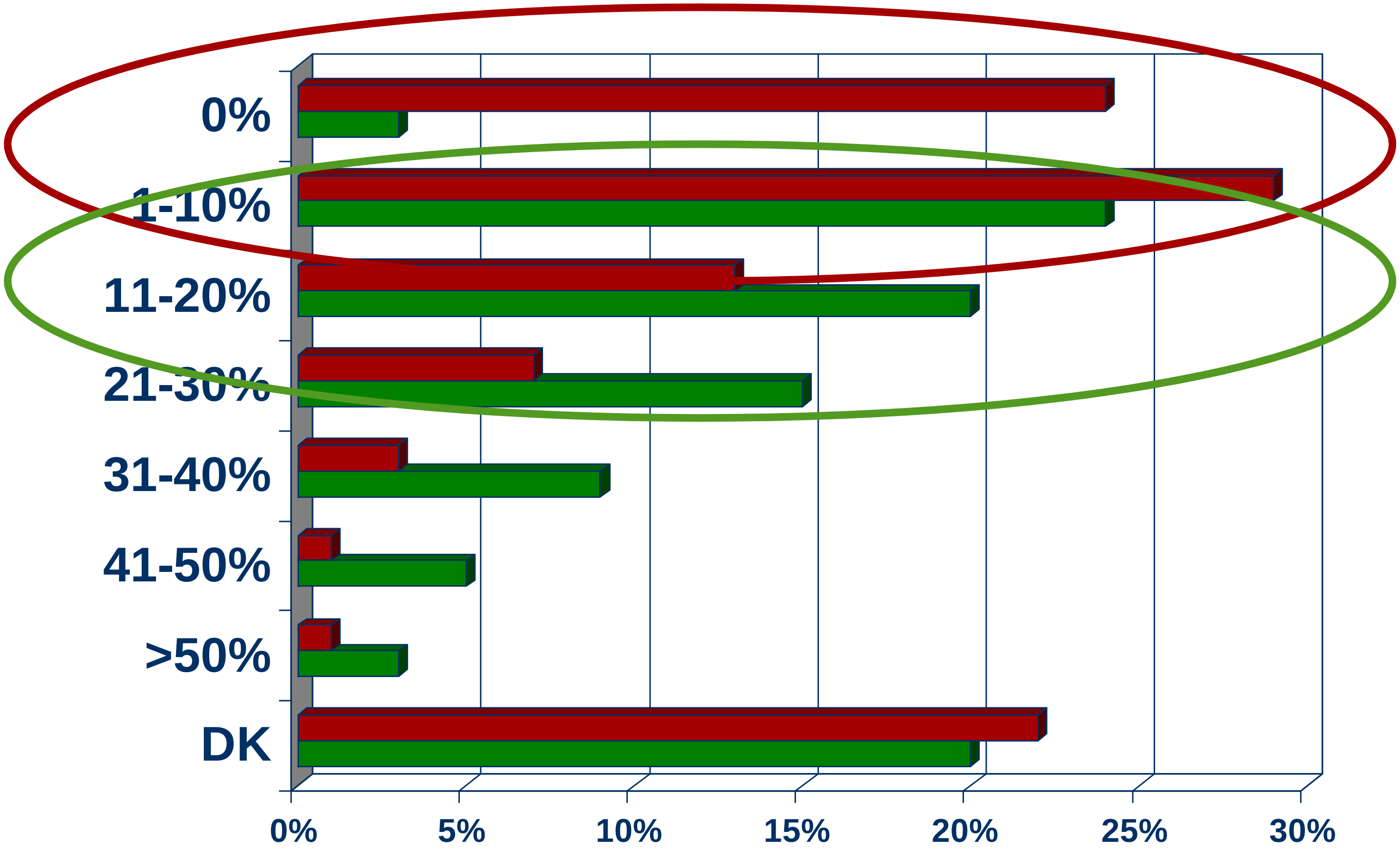
- 44% of publishers have adapted their licensing approach to make it more flexible in the last year.
- Primary reasons:
  - Improve customer relations (58%)
  - Generate more revenues (48%)
  - Accelerate the sales cycle (43%)
- How?
  - Ability to mix license types in a single install
  - Added subscription
  - More feature options / bundles

The Run Down

- 77% of publishers believe that their customers know what they are entitled to use, as well as what they are using
- If audited today, 50% of enterprises are confident to very confident that they would be in total compliance with all licenses
- Almost 45% of publishers believe their company’s pricing and licensing strategies are effective or very effective in capturing the value that the software provides to customers (lots of neutral)
- Most customers are satisfied with the value they are receiving for the price for major application categories. (Database and engineering applications scored highest).

Enterprise Over/Under Utilization Slide

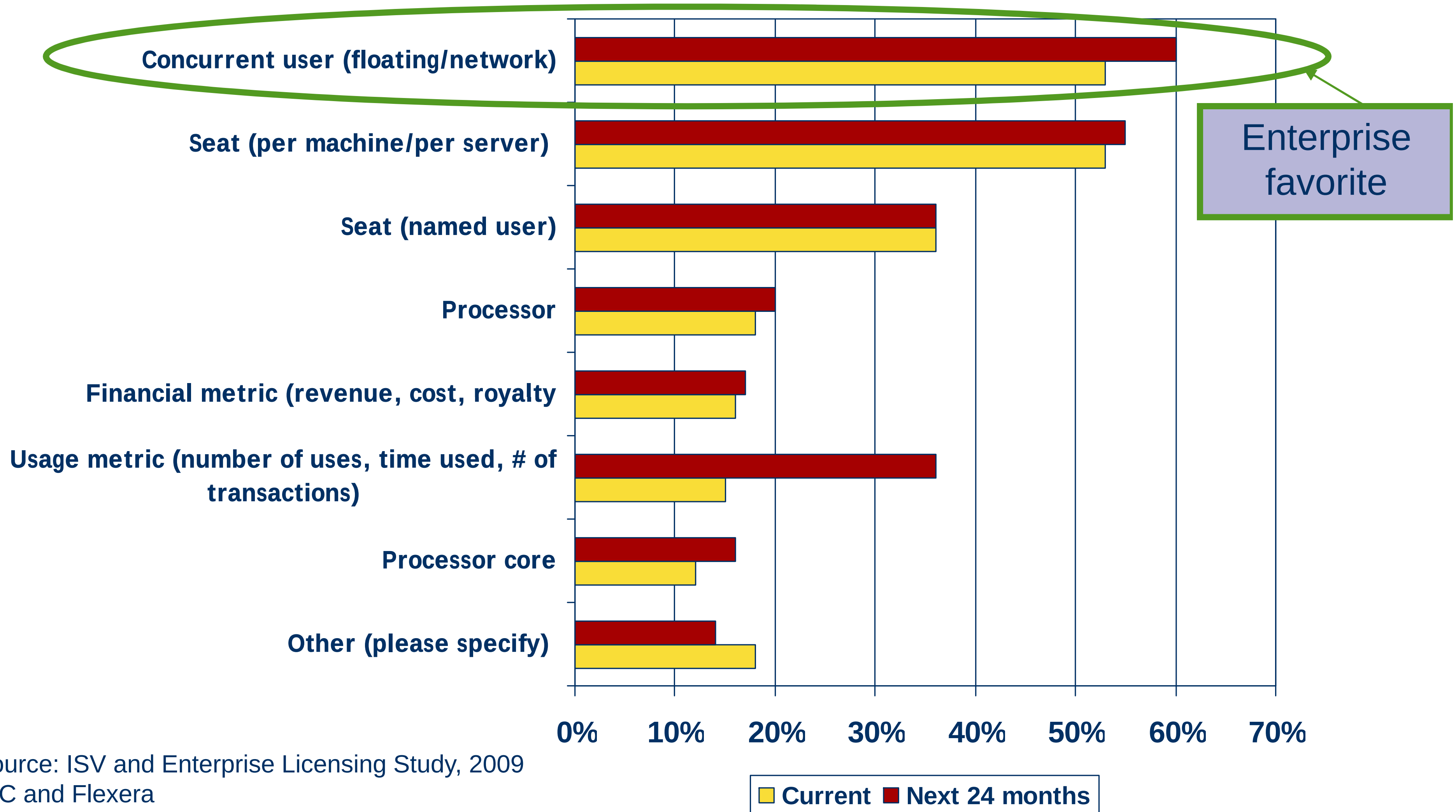
Q: What percentage of software license spend within your organization do you estimate is associated with applications that are out of compliance/shelfware?



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=87

ISV Licensing Metrics Slide

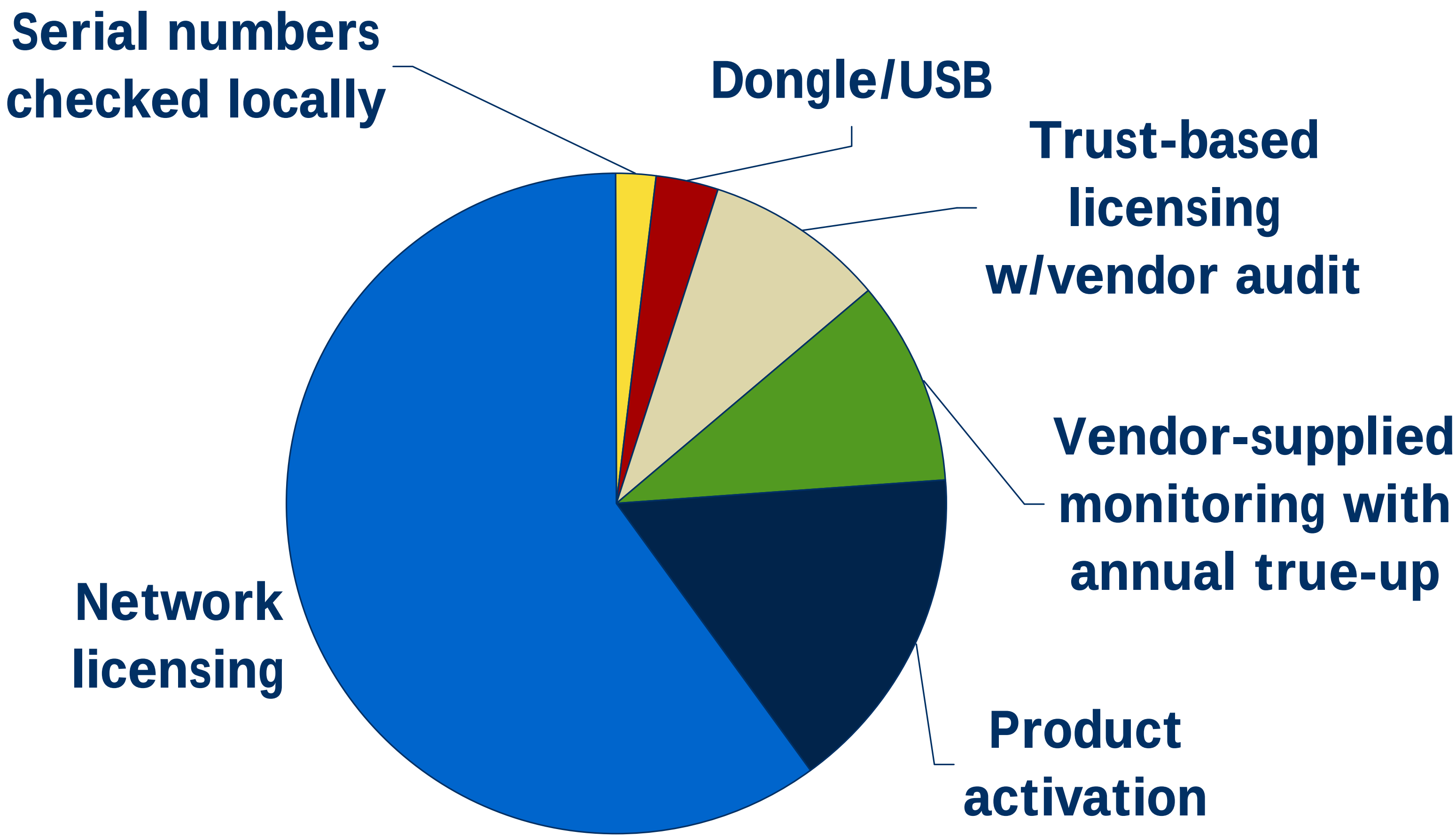
Q: What pricing models do you offer for your software today? In the next 24 months?



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=172

Enterprise Enforcement Preference

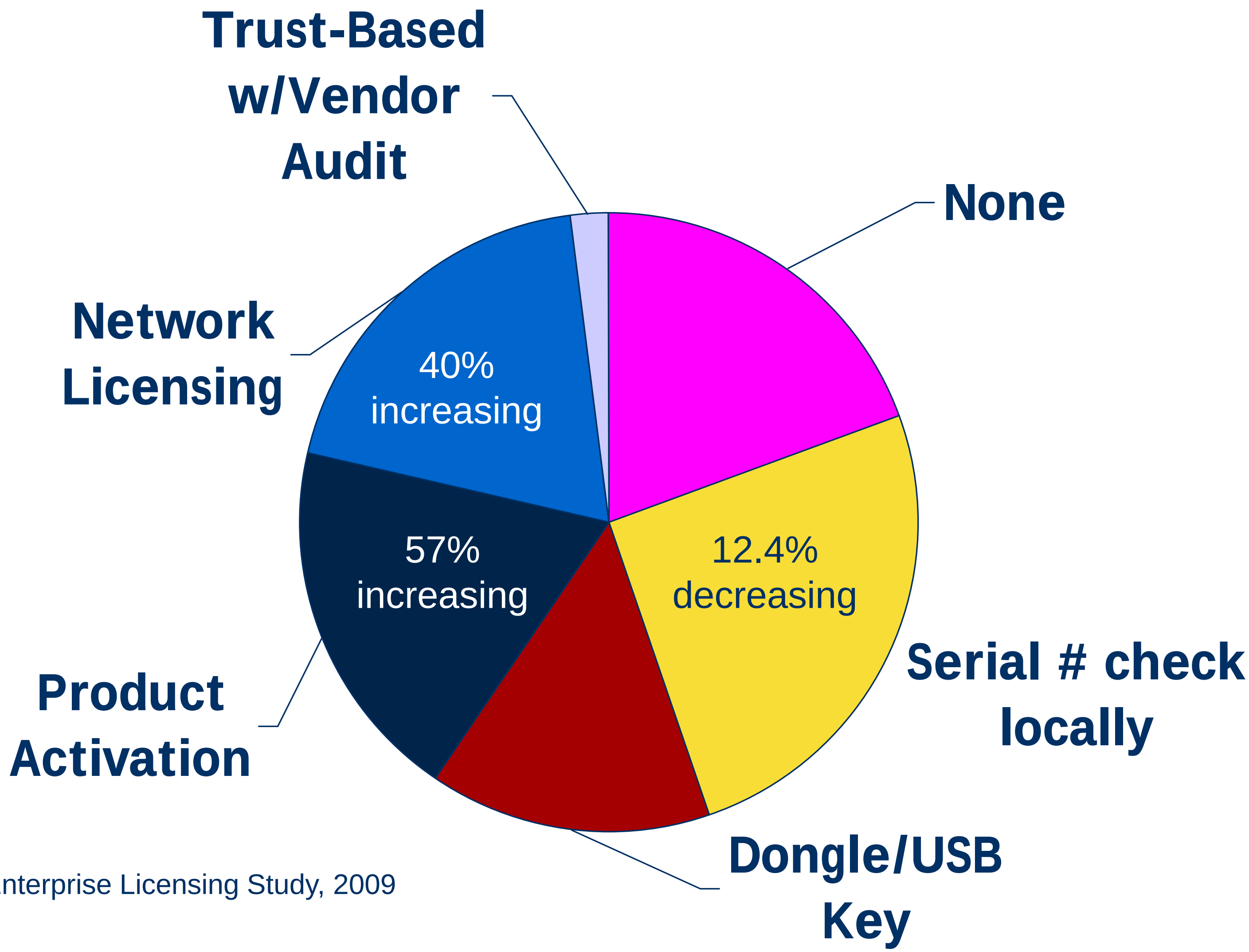
Q: If a software vendor gave you a choice, which of the following means of software license enforcement would you prefer most? (check only one)



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=92

ISV- Current Enforcement Strategy

Q: Which of the following means of enforcement does your company use today?

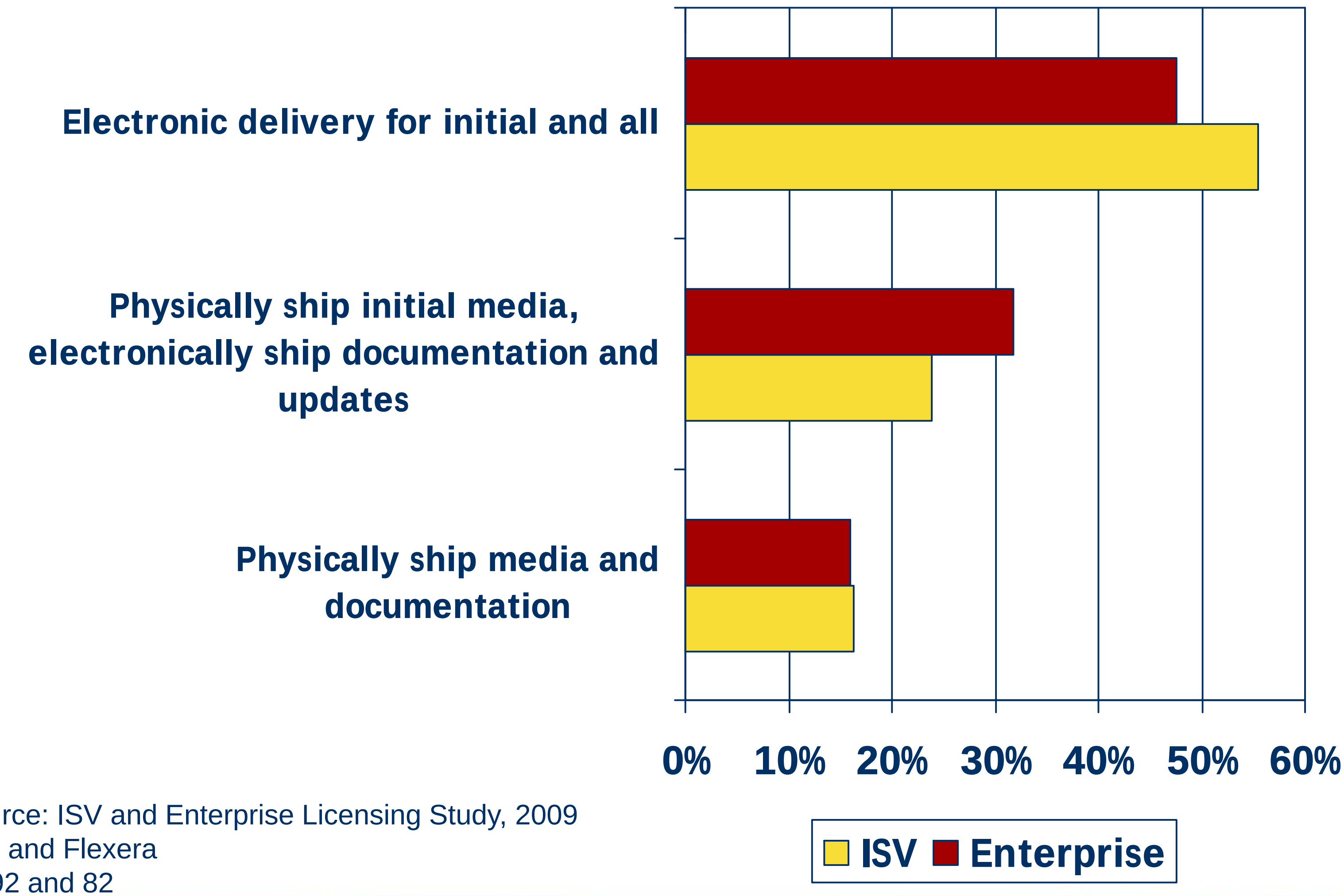


Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=117

Electronic Software Delivery

QE: How would you best describe your preferences for software delivery?

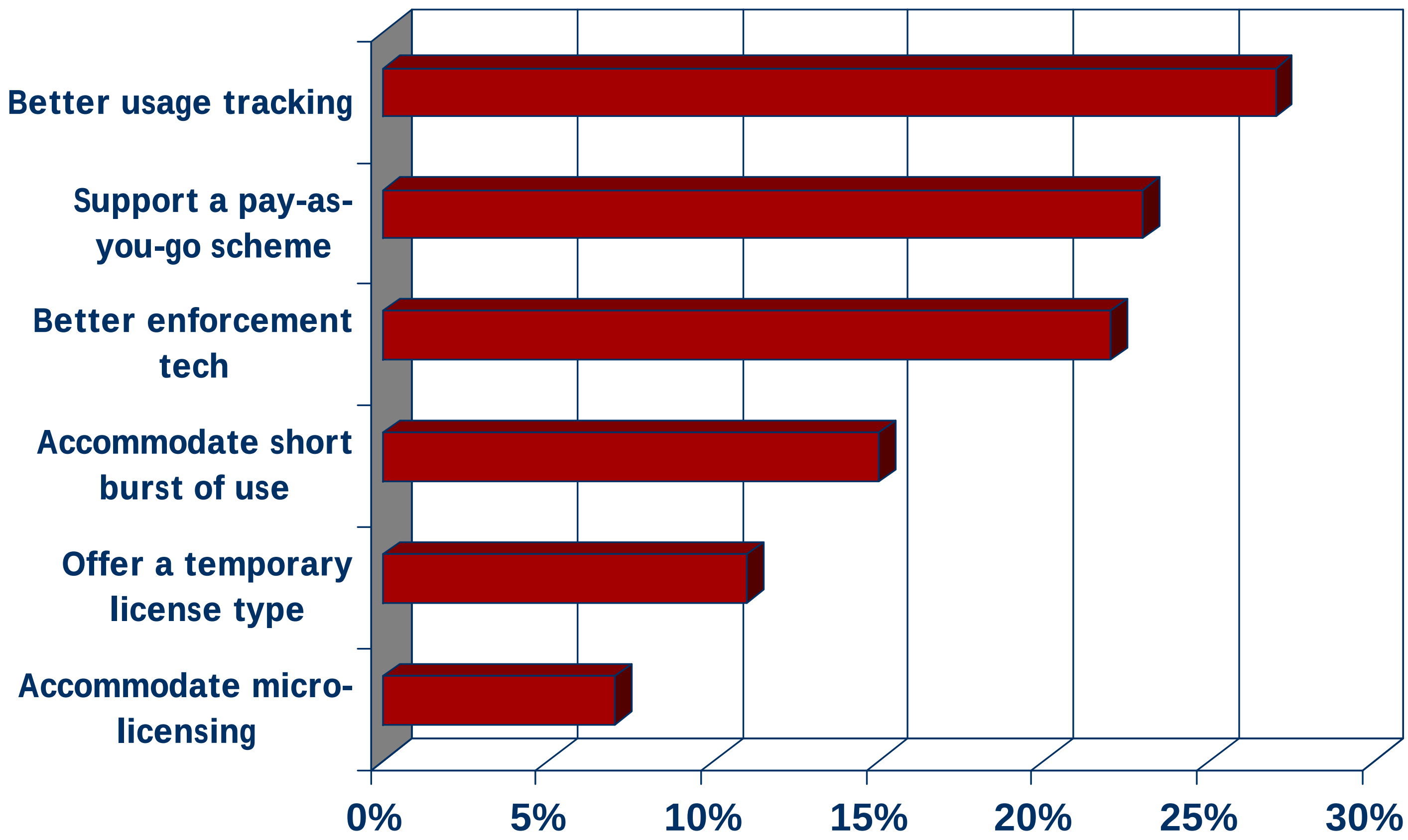
QI: How would you best describe your primary software delivery strategy one year from now?



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=92 and 82

Licensing Change

Q: In What Ways Does your Licensing Approach Need to Change?



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=172

Usage Tracking- ISVs

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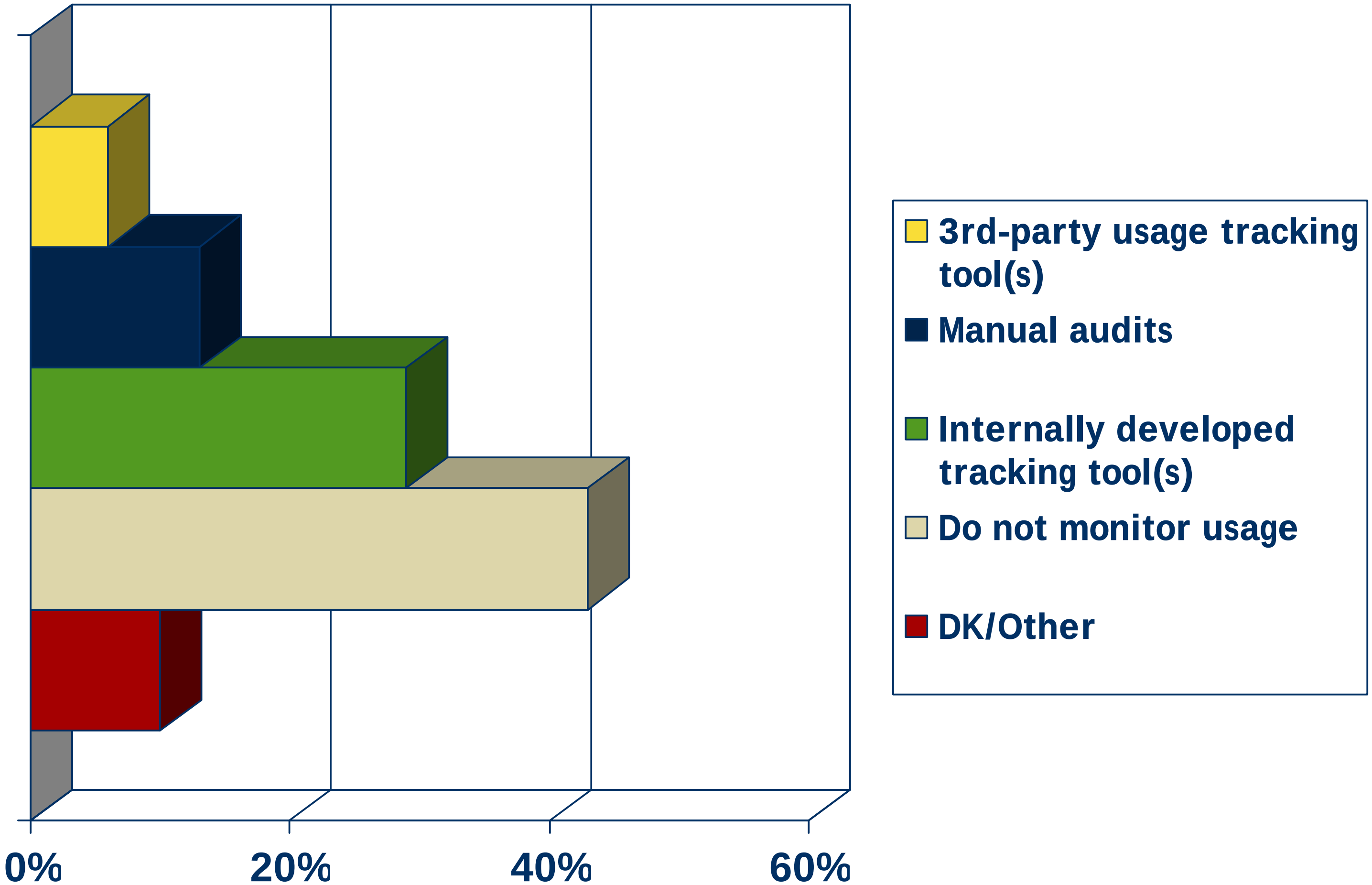
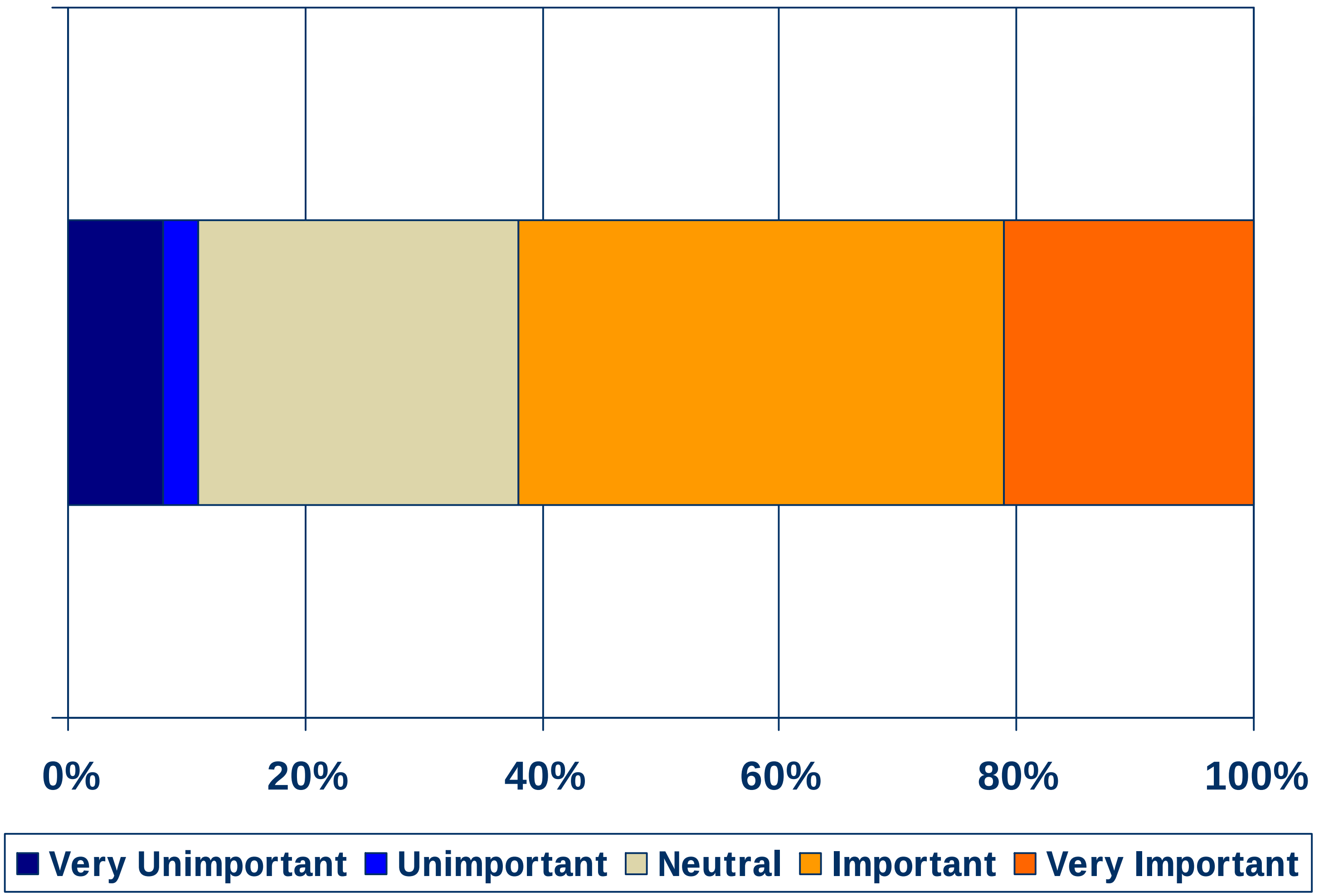
Q: How do you monitor customers' software usage?



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=172

Enterprise Usage Tracking- Importance

Q: Compared to your other objectives, how important is tracking software license usage?



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=172

Enterprise Usage Tracking

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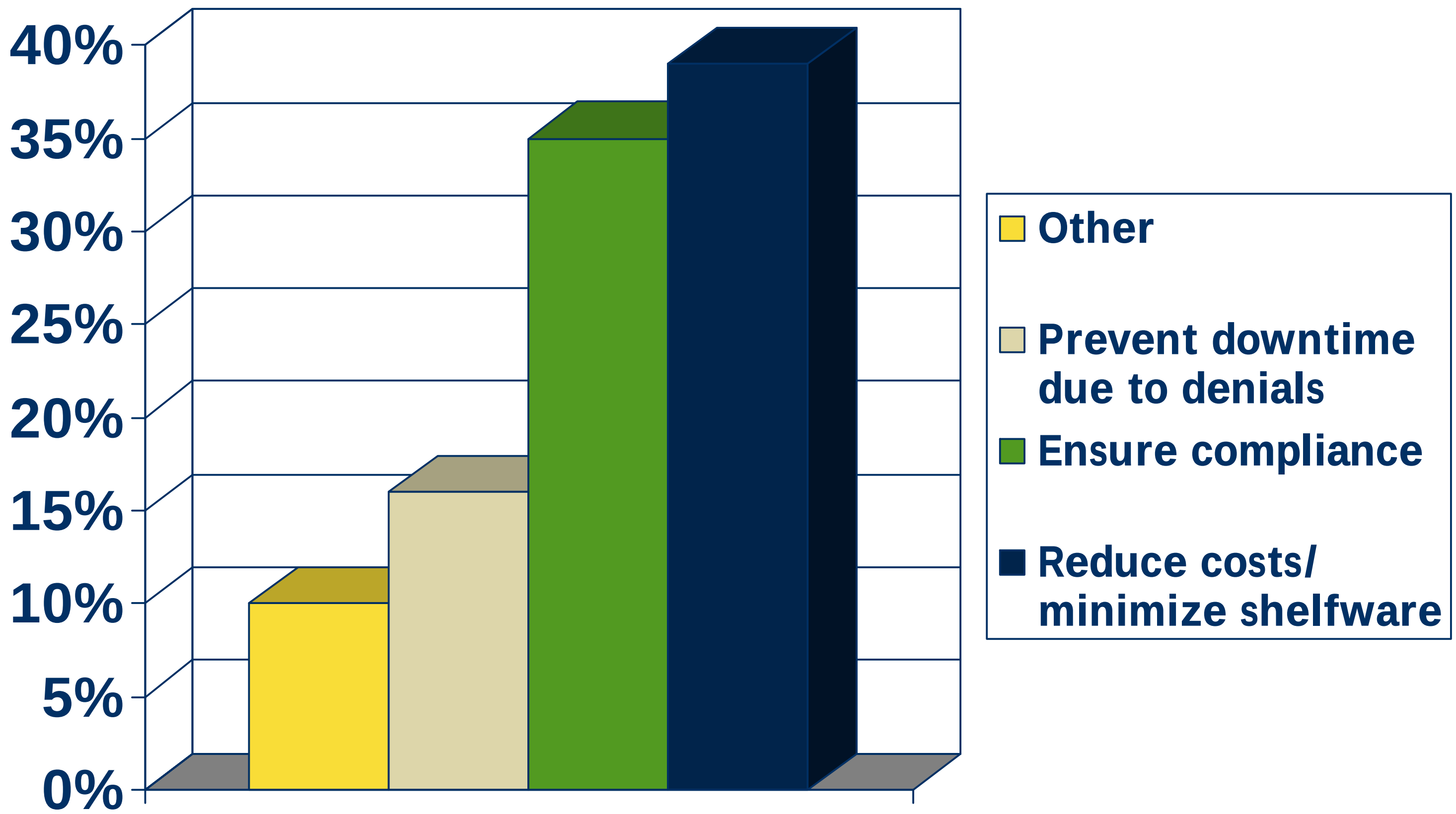
Q: If you are currently tracking your license usage, what is the most important reason?



Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=172

Type of Usage Tracking and Satisfaction Level

	Asset Mgmt 27%	Vendor Provided 18%	Internal System 18%	Manual (spread sheets) 27%	No tracking 7%
Very Dissatisfied	4%	6%	6%	8%	33%
Dissatisfied	4%	18%	6%	23%	0%
Neutral	20%	53%	44%	42%	67%
Satisfied	60%	18%	44%	27%	0%
Very Satisfied	12%	6%	0%	0%	0%

>50% Important or Very Important

Source: ISV and Enterprise Licensing Study, 2009
IDC and Flexera
N=172

Key Takeaways

- Lots of change
- Change is hard
- You are all in the same boat
- Some disconnects, some synergies
- Cloud is cloudy
- Everyone benefits from having better information

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