

Software Pricing and Licensing Survey Results and 2012 Predictions

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IDC

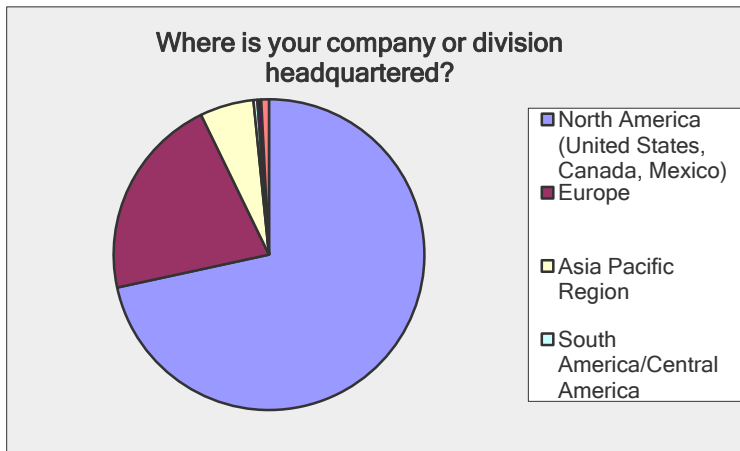


The Survey



ISVs and Intelligent Device Manufacturers

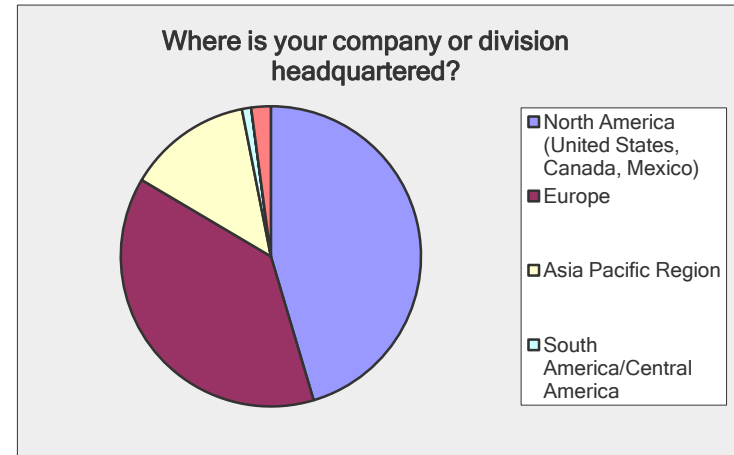
- Sample Size = 205



- 77% describe primary product as high-price/low-volume
- 82% identify as software producer

Enterprises

- Sample Size = 97

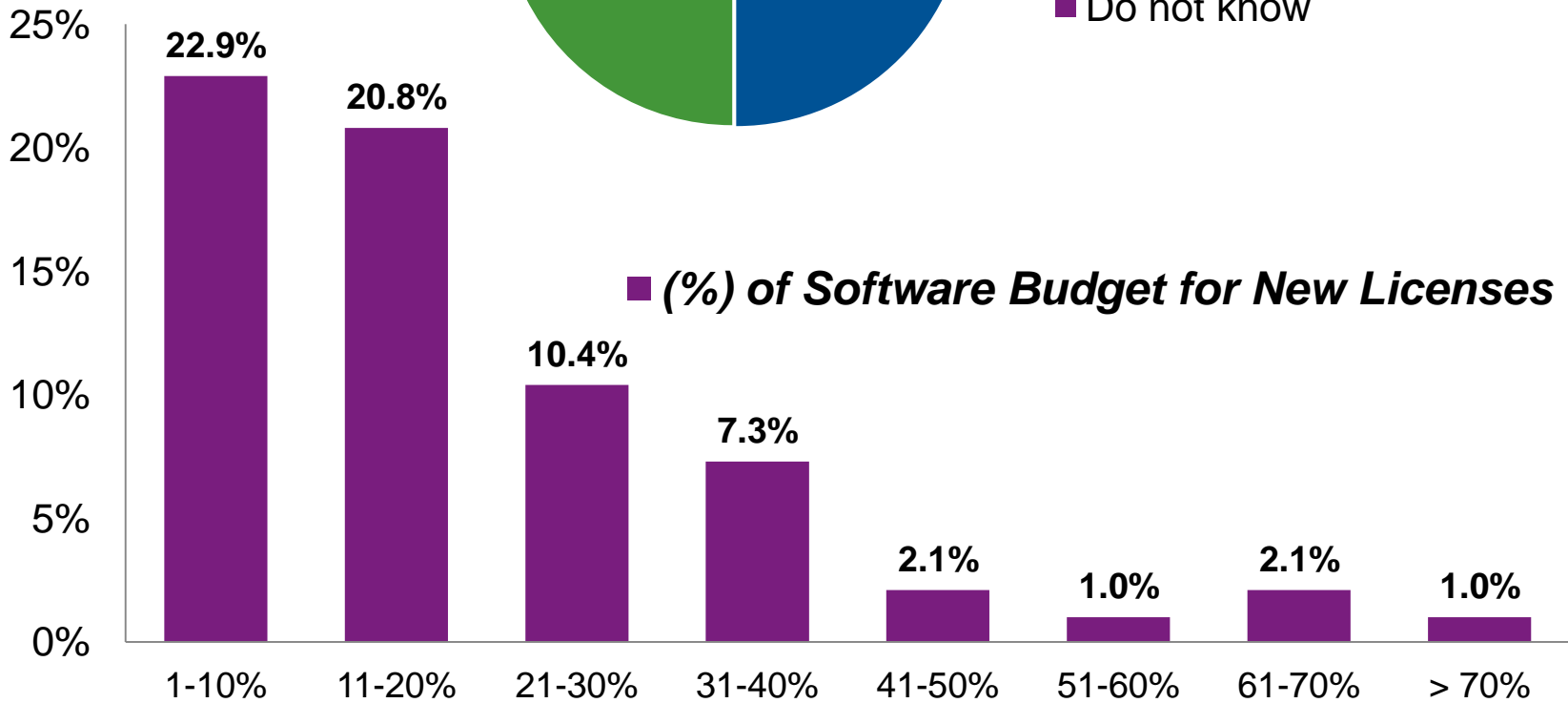
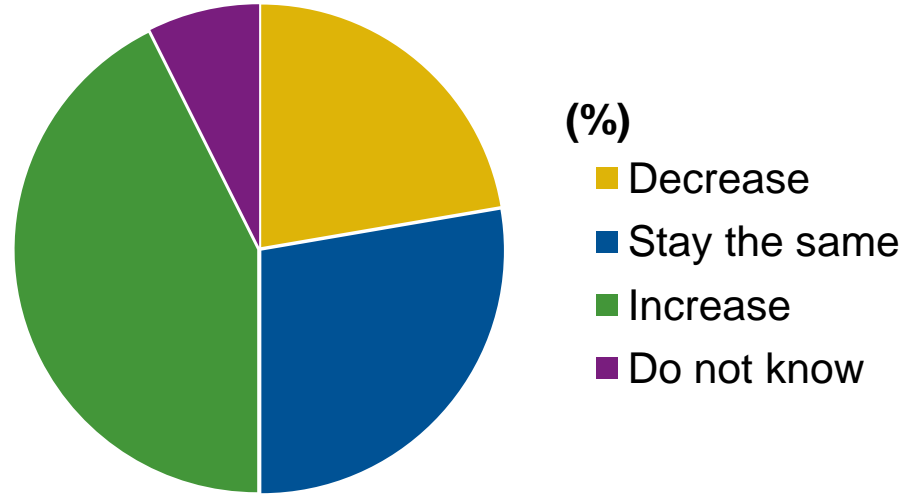


- Wide range of industries
- 54% \$1B+ revenues
- 55% 5,000+ desktops

The Survey- Enterprise Spending Profile



Q: Looking forward two years, will your software budget...

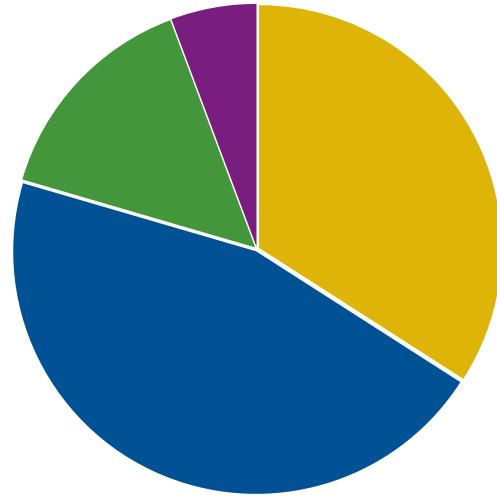


Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

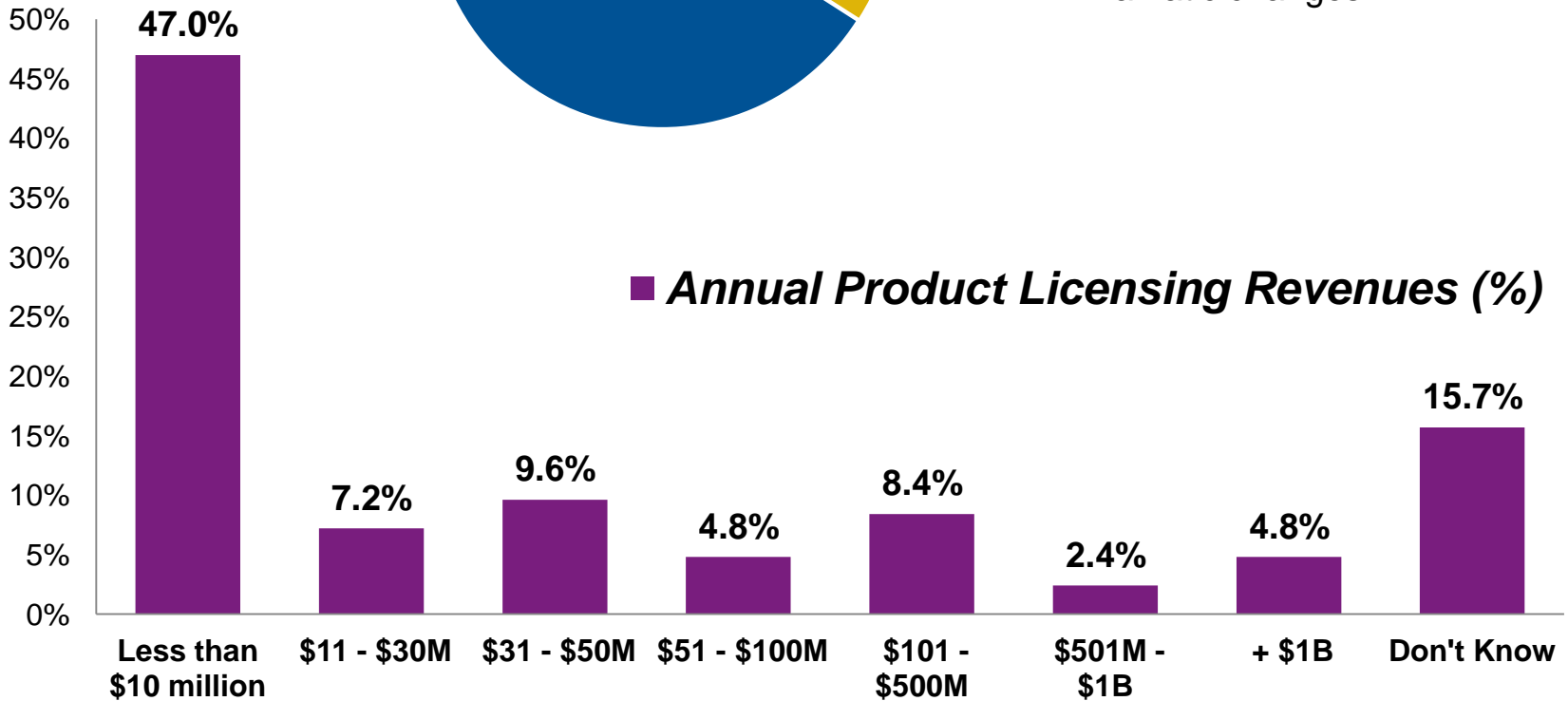
The Survey- ISV Licensing Revenue Profile



Q: In the next 2 years, my company's licensing strategy will...

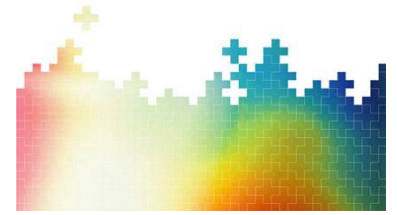


- Stay the same/no change
- Moderate changes
- Significant changes
- Dramatic changes



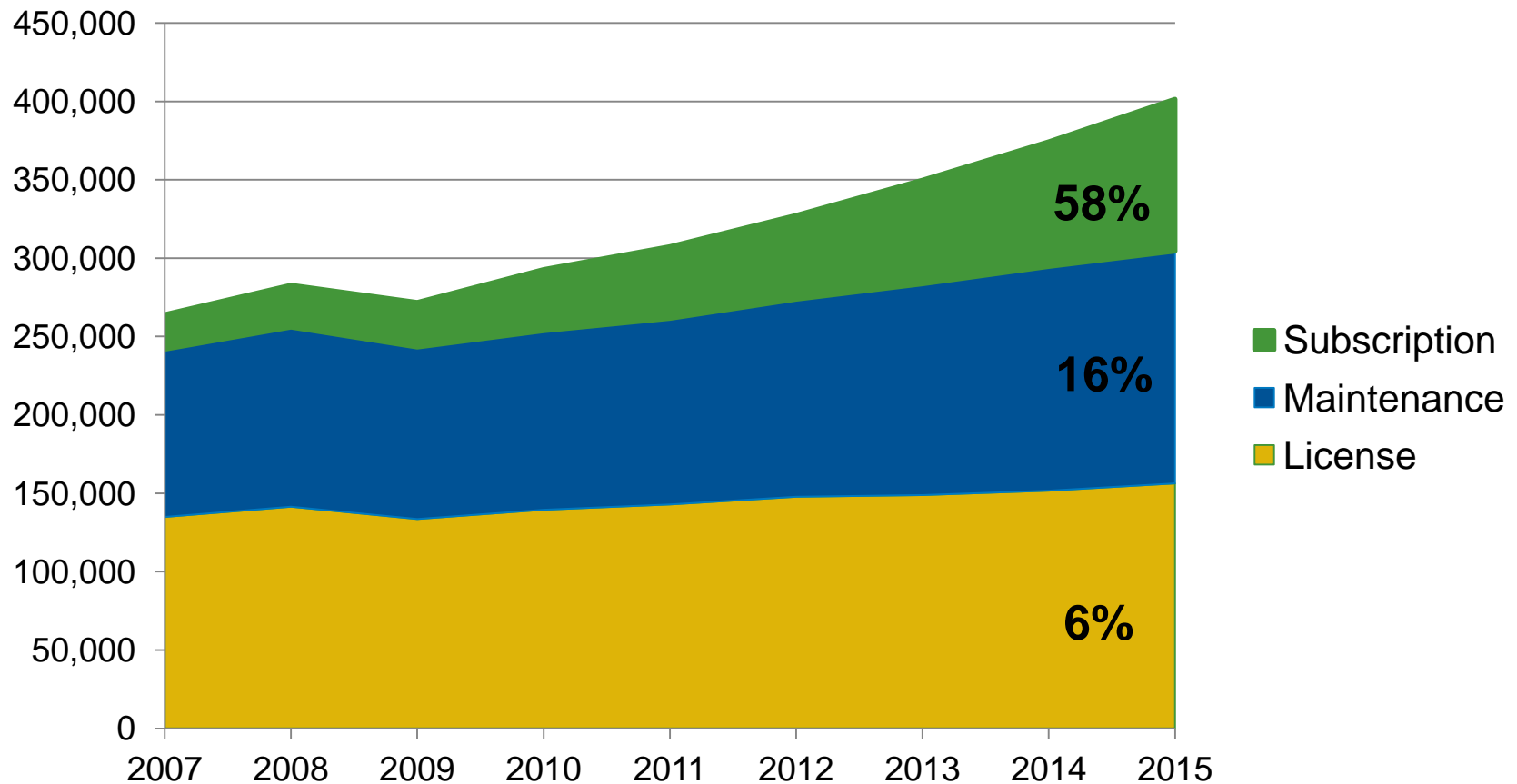
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Software Industry Megatrends



1. Shift from Perpetual to Subscription

WW Software Revenue Mix, 2007-2015, \$M

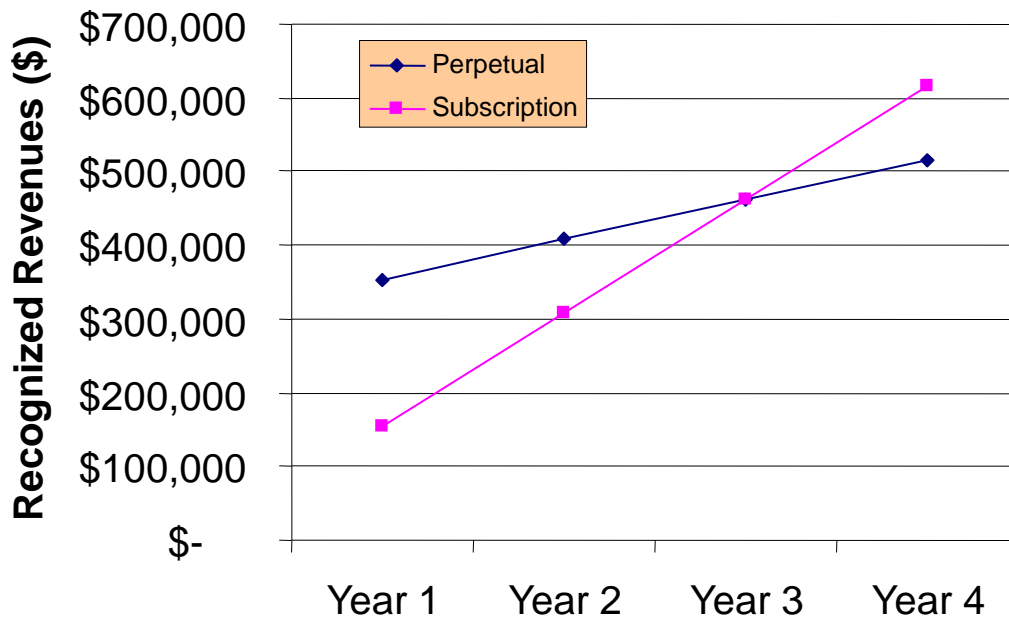


Source: IDC, Fall 2011

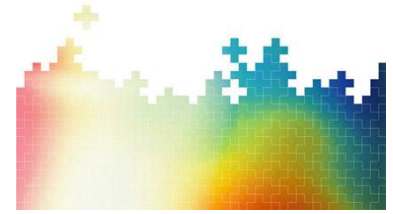
ISV Survey- Perpetual Domination



- 79% of software revenues derived via perpetual, 15% via subscription
- In next two years, group expects:
 - perpetual license revenues to **decline** an average of 10%
 - subscription revenues to **increase** by an average of 6%



Software Industry Megatrend



2. One Megatrend to Rule them all

70%
of NA
companies
currently
using public
cloud

74%
of companies
using cloud expect
to increase cloud
spend in 2012 by
> 20%

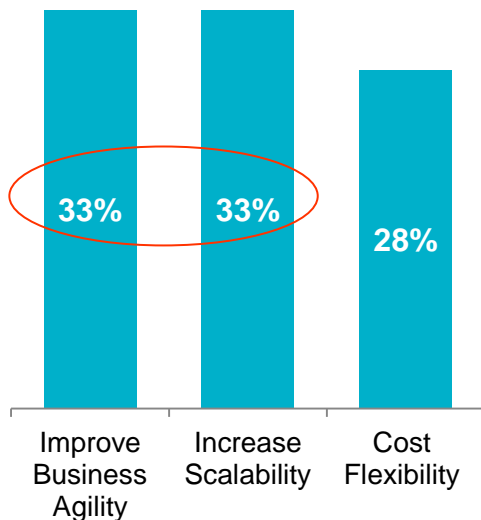
US
Businesses
will spend
\$36 billion
on cloud-
delivered IT
services in
2015

2011-2015:

SaaS spending will
grow by **105%**

IaaS spending will top
\$33 billion

PaaS spending CAGR
hits **48.5%**

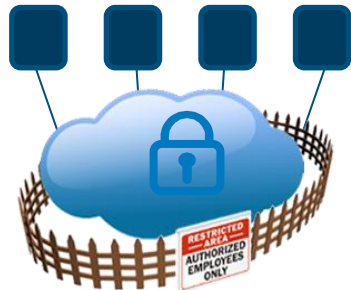


82% of net new commercial apps
will be developed for cloud in 2012

30%+ of 2014 spending on enterprise
apps will be via the cloud model

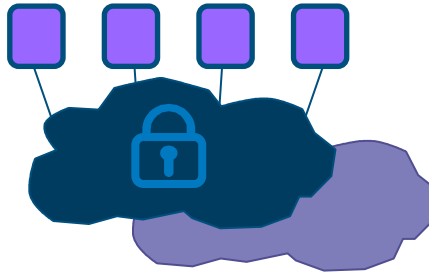
>80% of Global 2000 will still
have 50% of IT onsite in 2020

Two (Three) Approaches to Cloud Deployments



Private

- Designed for, and access restricted to, a **single** enterprise (or extended enterprise)
- An internal **shared** resource, not a commercial offering
- **IT Org is the “vendor”** of the shared/std service to its users



Hybrid

- Enterprise’s cloud services portfolio includes **both private and public cloud services**
- Some specific services are delivered in a combination of public and private models (e.g., private cloud “bursting to” a public cloud service)



Public

- Designed for a **market**, not a single enterprise
- Open to a largely unrestricted universe of potential users
- Customers buy at **specific level of abstraction** (server, application, platform)
- Single-vendor or multi-vendor

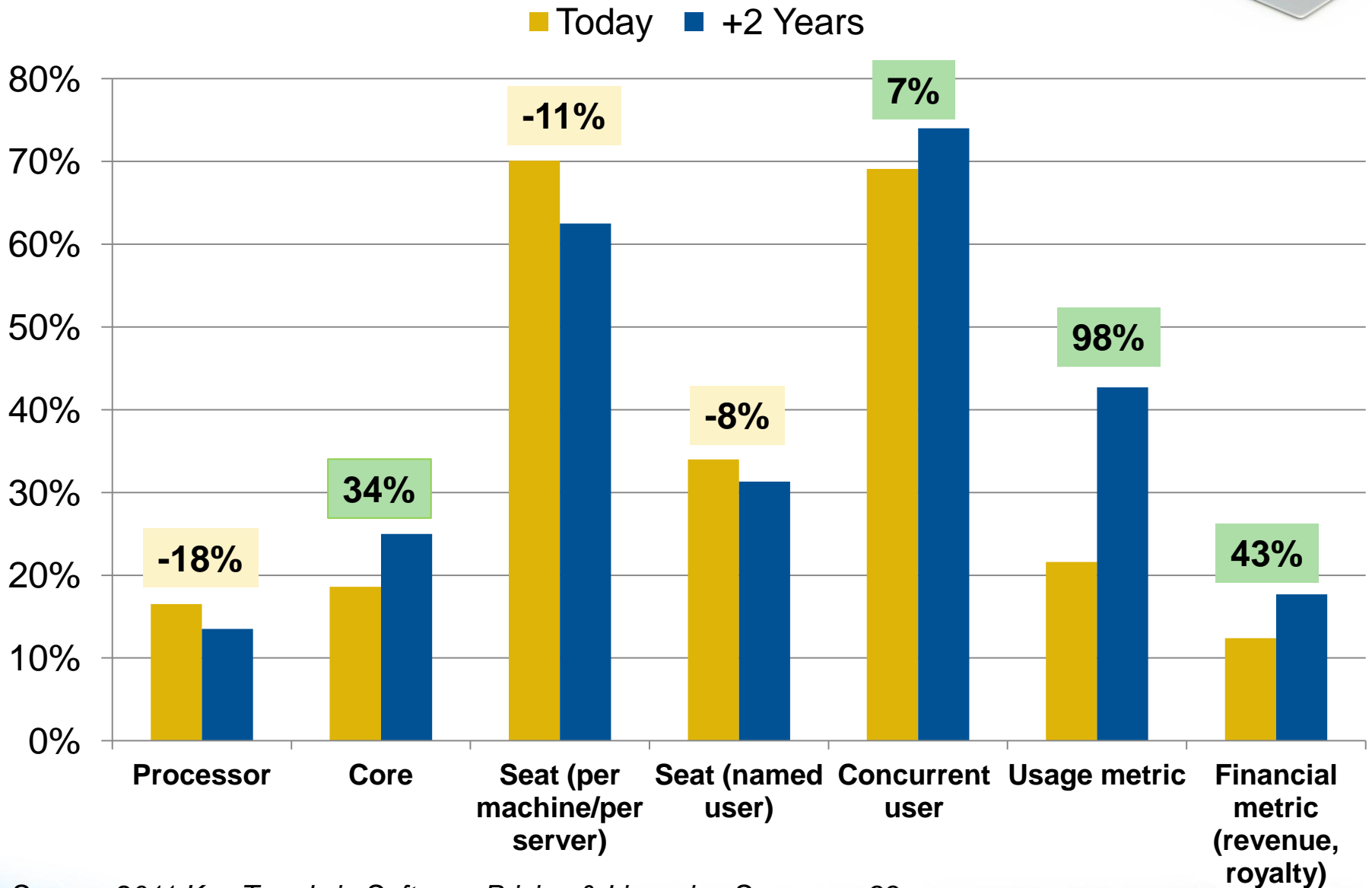
Resource Isolation

Single enterprise/
extended enterprise
(dedicated)

Virtual and physical (non-
cloud) resources and
applications

Multiple unrelated
enterprises (shared)

ISV- Metrics

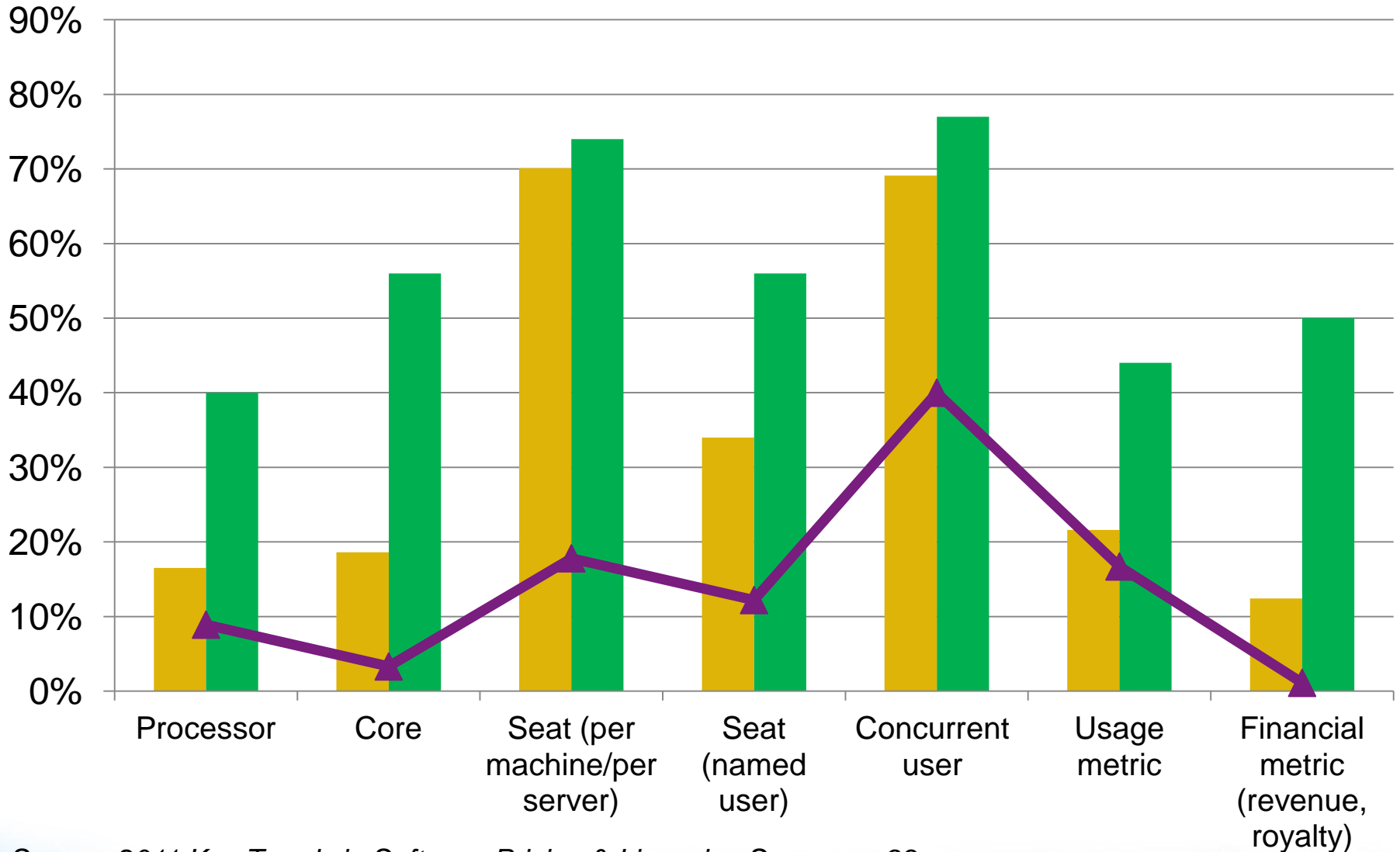


Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

Metrics, Satisfaction, Customer Preference



Today ISV Satisfaction (%) Customer Pref.

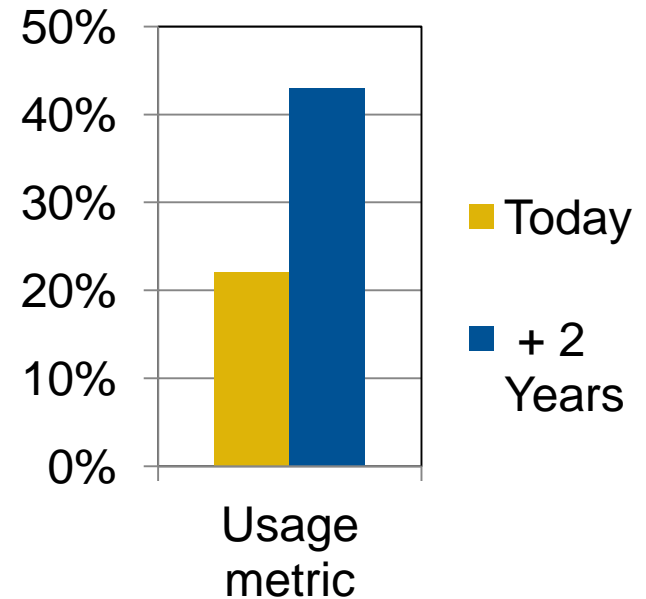


Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

ISV- Focus on Usage-Based Pricing



- Consistent with the results of last year's survey, with usage metrics experiencing the most growth compared to other models.
- Of the total survey population, **47%** of vendors surveyed do not monitor customer usage today.
- Of the survey population that is offering usage-based pricing today or plans on offering usage-based pricing in the next two years, **48%** do not monitor customer software usage.



Software Industry Megatrend



3. It's a Virtual, Multicore World

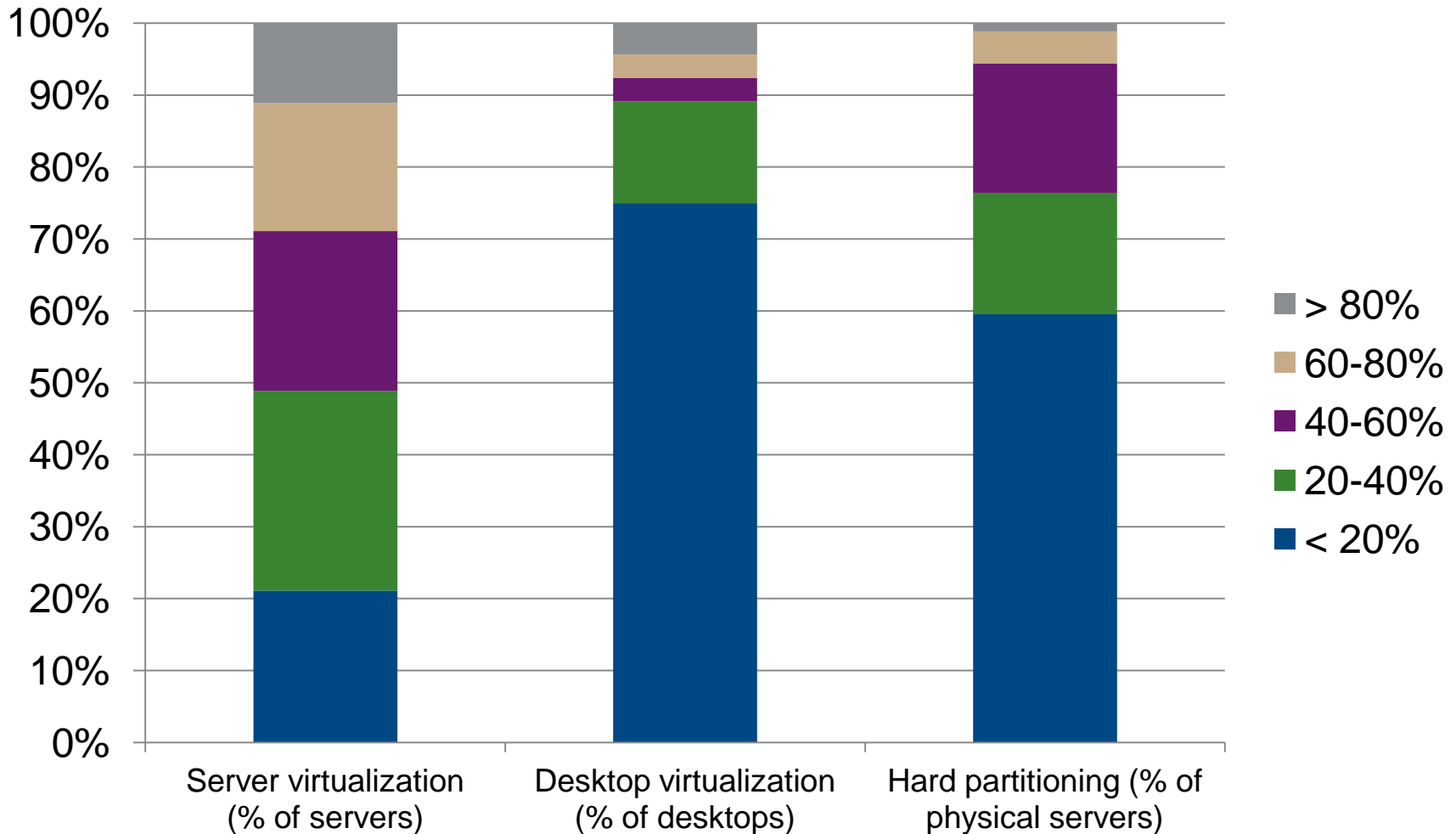
- In 2005, virtual machines represented 4.5% of server shipments; typically, there were three virtual machines per physical server.
- **By 2014, IDC estimates that VMs will represent 23.3% of server ships, with a density of 8.5 VMs per physical machine.**
- As for the server market, quad-core x86 is now the standard, accounting for the majority of shipments.
- **IDC research indicates that six-core processors are quickly gaining ground and are poised to be the new standard within 12–18 months.**

Source: IDC, 2011

ENT Survey- Virtualization Adoption Profile



Q: Which virtualization technologies has your organization adopted?

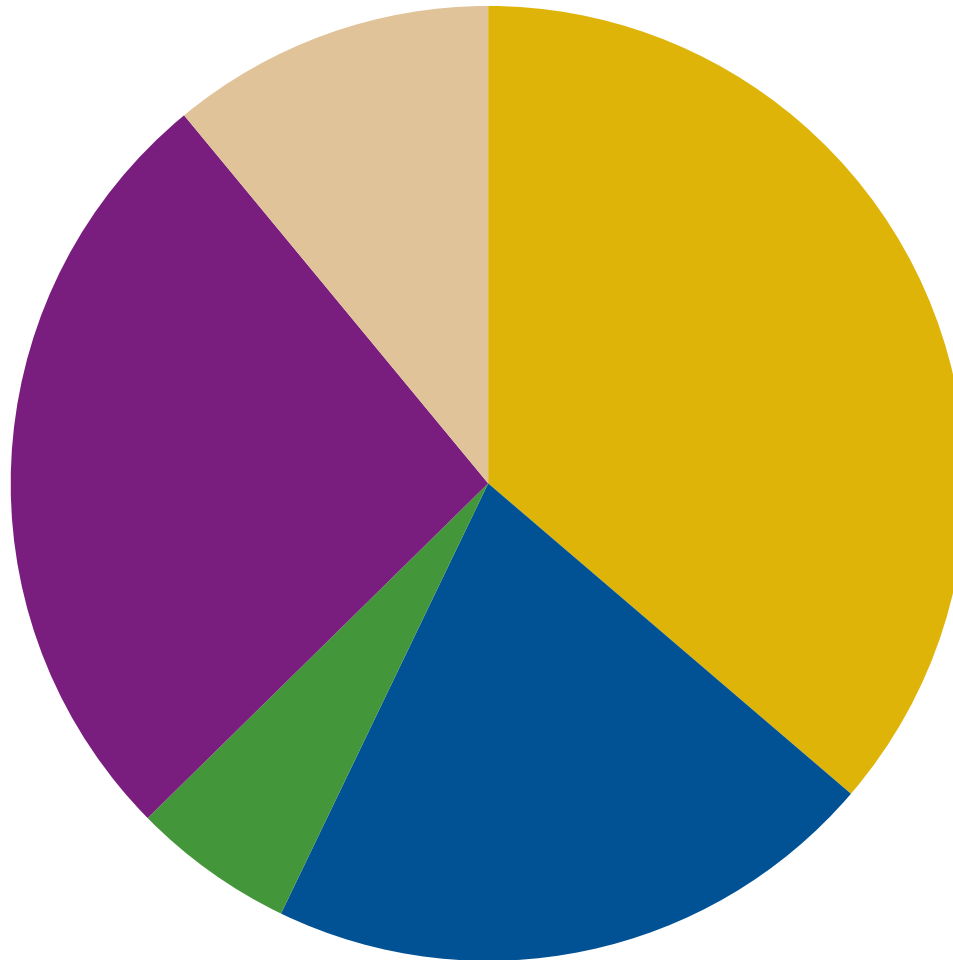


Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

ENT Survey- Virtualization Management



Q: How do you manage software licenses in your virtualized environments?



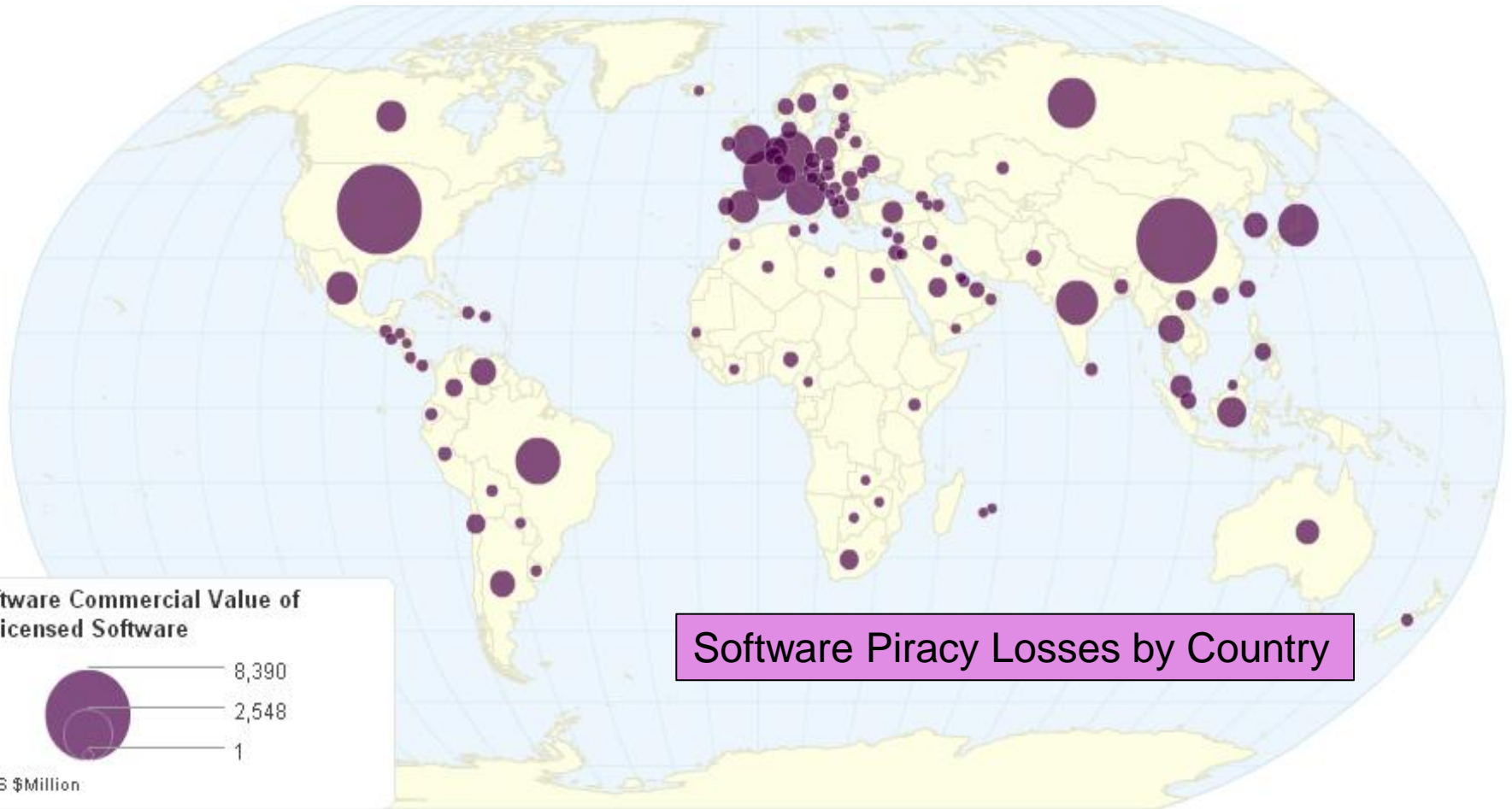
- Automated commercial license management software
- Software provided by the (virtualization) vendor
- Automated homegrown software
- Manual methods, including spreadsheets
- We don't manage software licenses in our virtual environments

Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

Software Industry Megatrend



4. Focus on Software License Compliance



Source: IDC/BSA Study, 2011

ISV and ENT- Audit Statistics

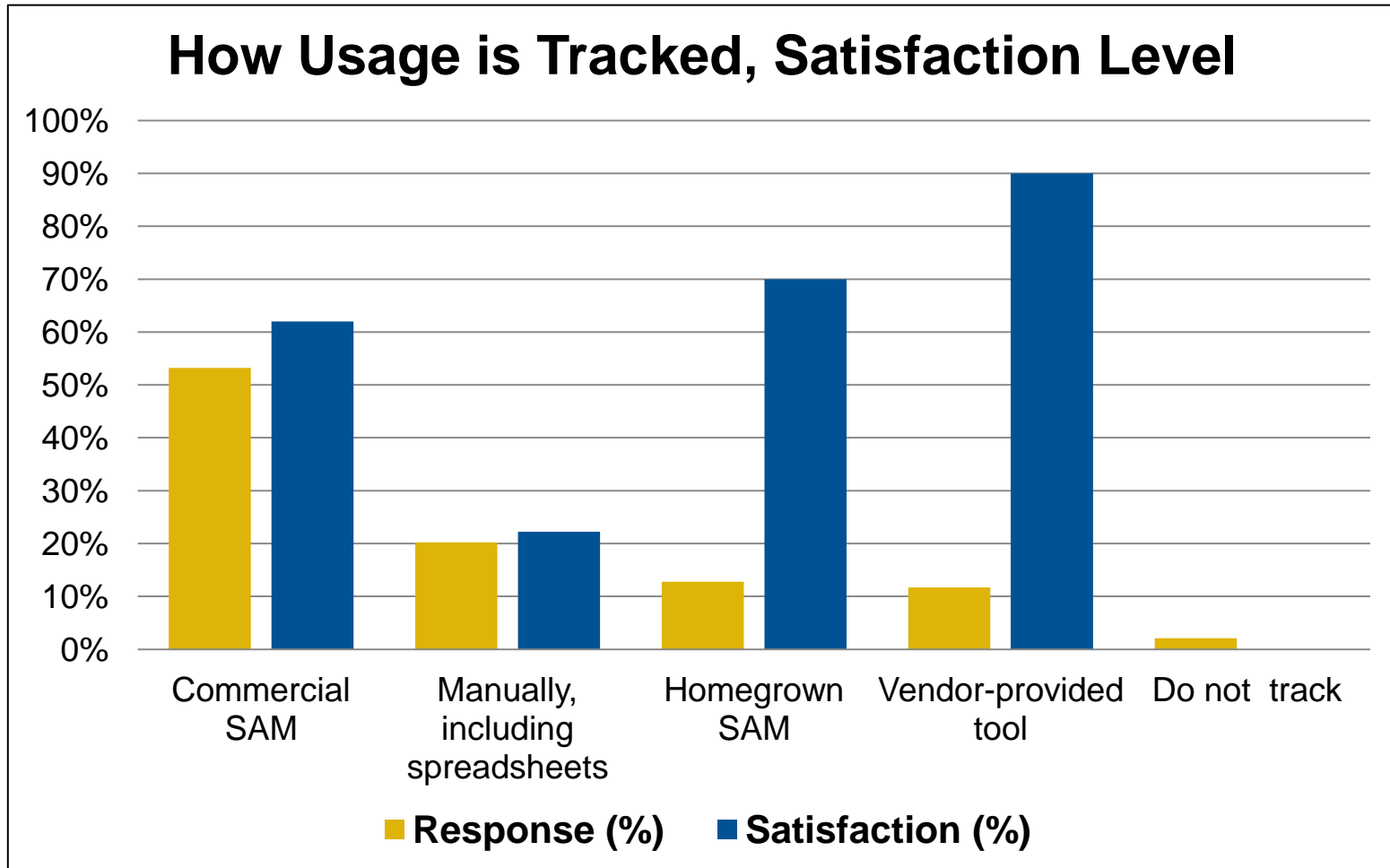
- Most of the ISVs surveyed did not perform any audits or reviews at all in the last year (60%)
- Most ISVs that performed audits did 10 or less
- For the vast majority of ISVs that performed audits, the award was less than \$100,000. The enterprise survey corroborated this data.
- The vendors listed by enterprises as providing audits within the last year included Microsoft, Oracle, IBM, and SAP.



ENT- Tracking Usage



- Most customers track usage for compliance purposes, but 31% are tracking primarily to reduce shelf-ware

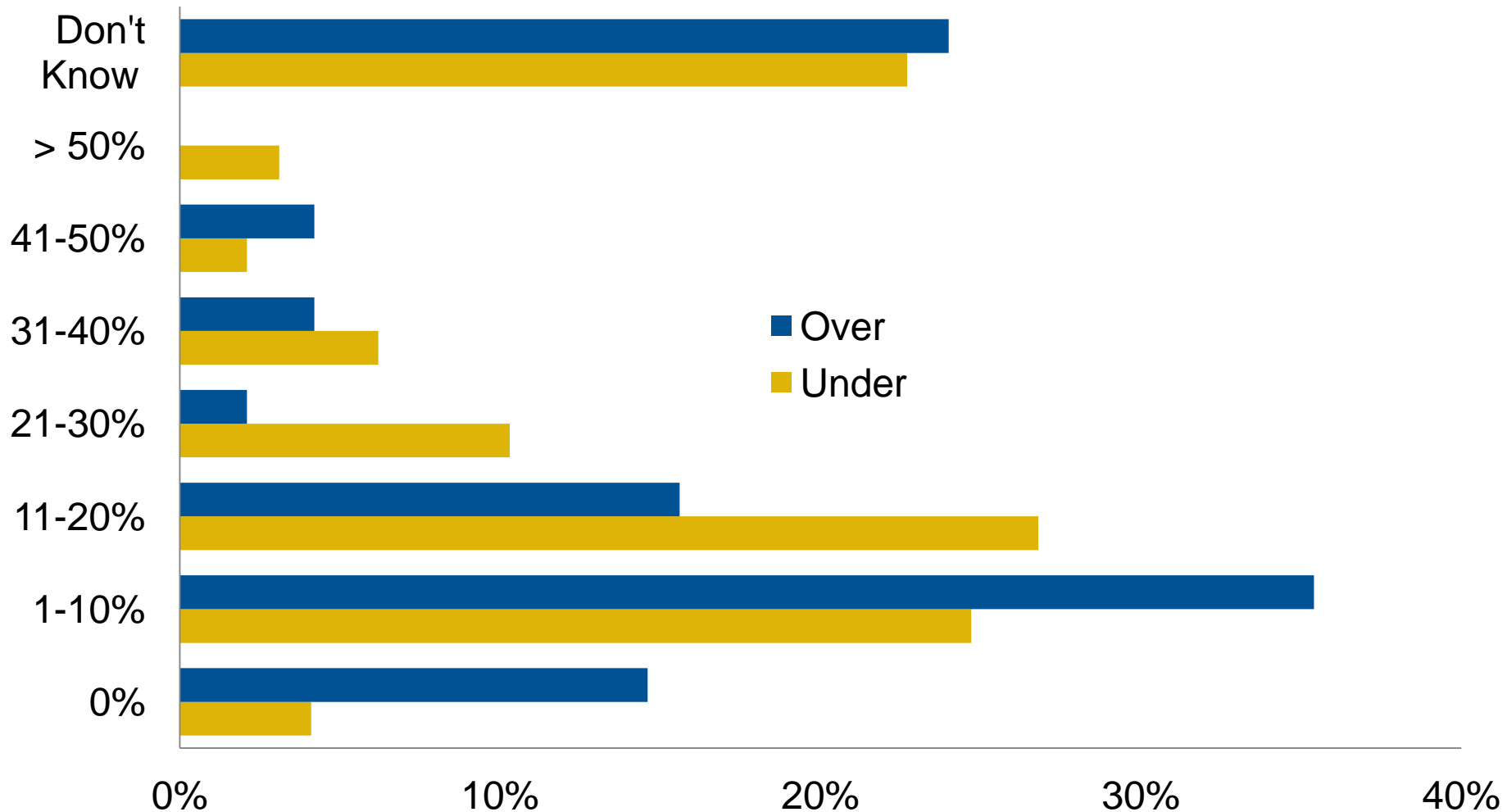


Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

ENT- Over/Under



Q: What % of software license spend within your organization do you estimate is associated with applications that are:

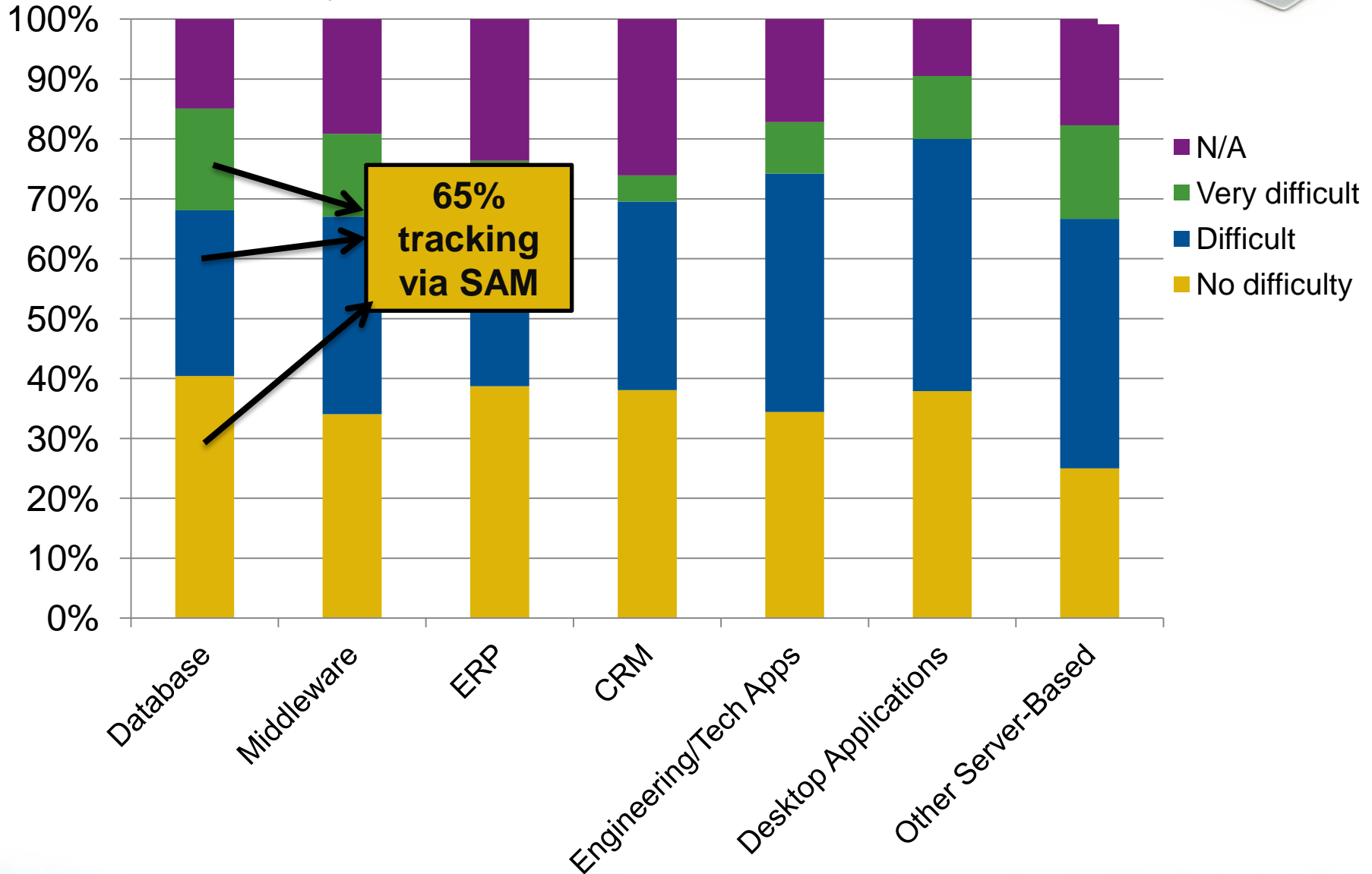


Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

Enterprises- Compliance Challenges



Q: For which types of software is it difficult to maintain compliance?



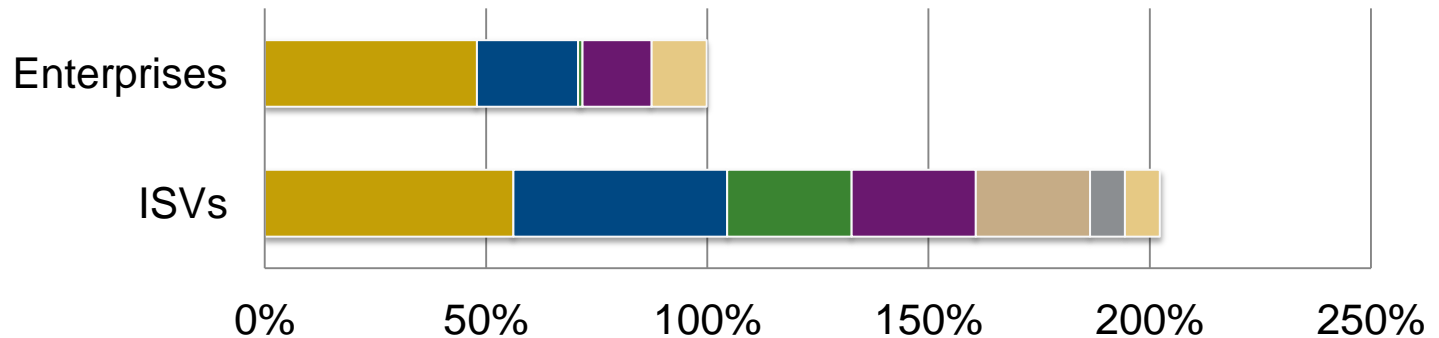
65% tracking via SAM

Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

Enterprises and ISVs- Enforcement



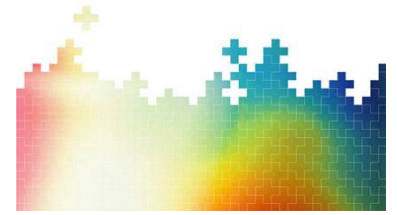
Enforcement Preferences and Profiles



	ISVs	Enterprises	
■ Network licensing	56.2%	47.9%	+48%
■ Product activation	48.3%	22.9%	+54%
■ Serial numbers checked locally	28.1%	1.0%	
■ Trust with audit	28.1%	15.6%	
■ Dongle/USB	25.8%	0%	
■ None	7.9%	0%	
■ Vendor-supplied automated-monitoring mechanism with annual true-up	7.9%	12.5%	

Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

Software Industry Megatrend



5. 2012 Predictions

► Monetization models for Cloud will move to the forefront

- 2012 will be a big year for private cloud services adoption and deployment
- Public cloud services adoption will grow at over five times the rate of overall IT spending

► Change will continue at rapid rate

- Even ISVs that indicate that current models are effective plan on making changes to their licensing in the next two years
- Approaches will help ISVs and ENTs adapt to challenges in managing/tracking license compliance, add options that respond for customer preference for efficiency.

► Many things will stay the same....

- Concurrent user approaches
- Network licensing and product activation
- Caution around certain aspects of Cloud

Questions



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