

# Trends that are Significantly Impacting Producers

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# Market Trend 1–Growth in Usage-Based Licensing\*

- Driven by:
  - Need for easier licensing
  - Compliance automation (“trust but verify”)
  - Subscription / pay-for-overage
  - Virtualization makes server/device licensing meaningless

Table 1. SaaS Revenue Within Enterprise Software Sizing, 2011-2016 (Percent)

	2011	2012	2013	2014	2015	2016
Business Intelligence	5	6	7	8	10	11
Customer Relationship Management	35	39	42	44	46	48
Digital Content Creation	6	7	9	11	15	17
Enterprise Content Management	6	8	10	11	11	12
Enterprise Resource Planning	8	10	12	14	15	17
Office Suites	2	3	3	4	5	6
Project and Portfolio Management	17	20	26	29	31	32
Supply Chain Management	16	18	21	23	26	28
Web Conferencing, Teaming Platforms and Social Software Suites	70	69	69	68	67	65
Other Application Software	7	8	9	10	11	13
Total	12	13	15	17	18	20

Note: Dark green equals high level of SaaS adoption, and dark red equals low level of SaaS adoption.

Source: Gartner (October 2012)

\*IDC 2012:  
Usage-based  
expected to grow  
more than any  
other model over  
next 18-24 months

# Why Usage-Based Licensing?

## Enterprises

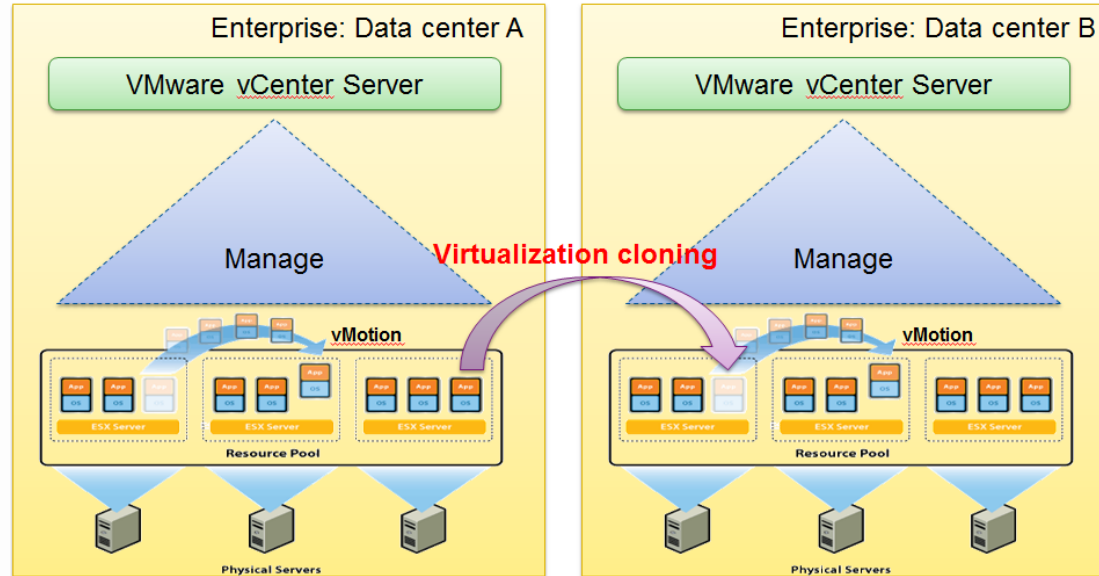
- Want easier licensing
- Need project-based pricing
- Don't want shelf-ware
- Want to stay in compliance
- Need flexibility to ramp departments, use multiple devices, etc.
- It's how they buy in their personal lives (consumerization of IT)

## Producers

- Enterprises are asking for it
- Growing demands from enterprise customers to simplify licensing
- 61% of enterprises are out of compliance (IDC 2011)
- Virtualization is forcing new licensing models
- Cloud pricing is expected to be transactional

# Market Trend 2 – Virtualization and the Cloud as Disrupters

- Virtualization is #1 enabler of accidental non-compliance



## Factoids:

- In 2010, more software was run on virtual environments than on plain physical hosts (IDC)
- 65% of Enterprises want to virtualize their entire data center (Informationweek, 2011)
- InstallShield saw a 132% growth in VMware use in 2011
- **11% of Enterprises said they did not track software in VM environments (vs. 0% for non-VM software) (IDC 2012 survey)**

# Licensing Strategies for Virtualization

## Enterprises

- Want mobility enabled by server virtualization
- Don't want machine-based licensing to hinder mobility of virtual machines

## Producers

- Virtual machine mobility = Easy cloning of apps = Difficult to manage license compliance
- Long tail of virtualization brands & hypervisors

- Concerned about cloning?
  - Bare metal binding
  - Concurrent/floating licenses with license server locked to physical machine
  - Tradeoff: may prevent mobility of virtual machines
- Concerned about licensing getting in the way of mobility?
  - UUID binding
  - Tradeoff: cannot prevent cloning
- Is the answer “usage-based licensing”?

# Cloud Computing – Market Challenges

## Enterprises

- Applications do not work in Cloud environment
- Moving from one cloud provider to another easily

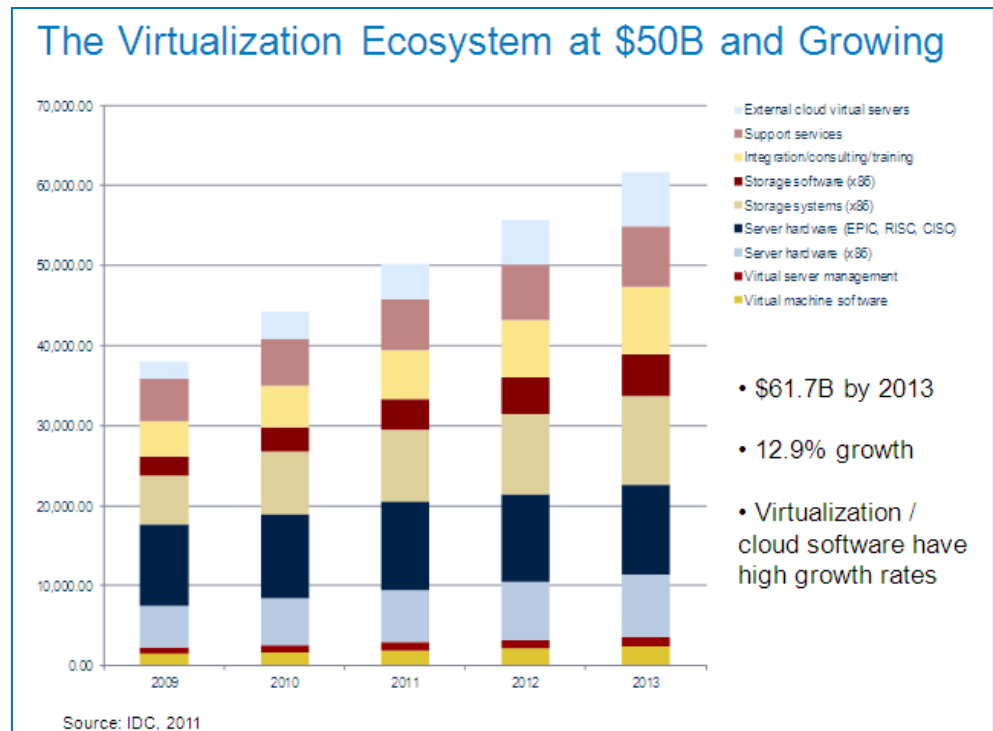
## Producers

- Accidental cloning
- New license consumption models

- Seeing large growth in Virtual Private Cloud
- More dynamic nature will make traditional machine based licensing obsolete
  - Impact compliance & maintenance reports
  - More difficult to track across networks (clouds) and geographies
  - “Machines go away” – per install won’t work within a cloud environment

# Virtualization & Cloud as opportunity

- Virtualization & Cloud are growing fast (12.9% growth) (IDC 2011)
- Many publishers have plans in the next 18-24 months and believe that it will have major impact to licensing policies (IDC 2012)

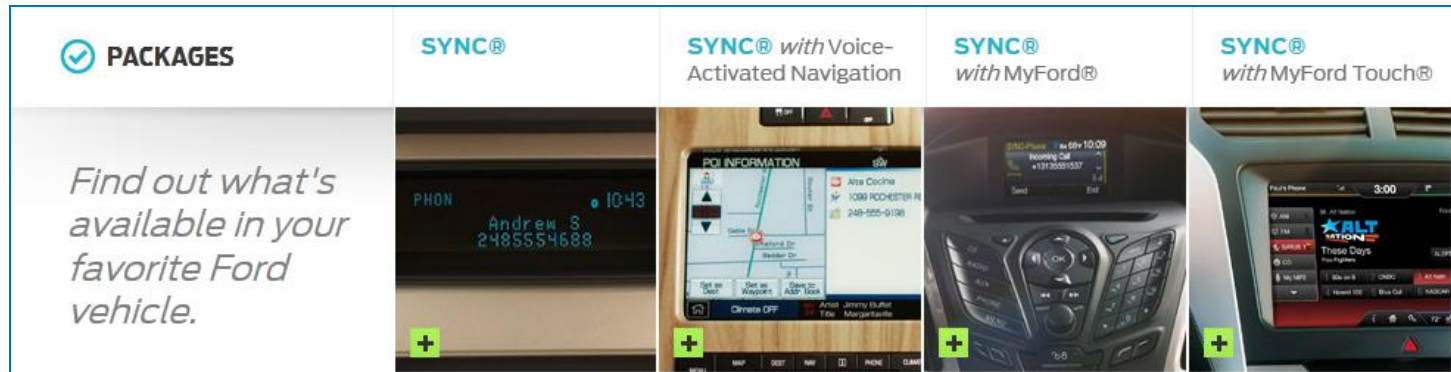


	Not Applicable	Have plans with impact	Done
Cloud computing	45%	48%	7%
SaaS	52%	43%	5%
Virtualization	40%	50%	10%
Mobile platforms	48%	47%	5%
Software Appliances	61%	34%	5%



# Market Trend 3 – Intelligent Device Manufacturers are using Software as Differentiator

- Intelligent device manufacturers are:
  - using software as a differentiator and monetizing it
  - building and promoting Machine-to-Machine ecosystems with additional software components
  - starting to use standard software
    - Based on EE Times (survey of 1809) the trend favors open source OS and commercial OS





# Market Trend 4 – Security/Anti-Piracy is Hot Topic

- Coming up with every producer we talk to:
  - “What are we going to do about China”

COUNTRY	COMMERCIAL VALUE \$M
United States	\$9,515
China	\$7,779
Russia	\$2,842
India	\$2,739
Brazil	\$2,619

Business Software Alliance, 2011 report

- China has 78% estimated piracy and United States has 20%

# Market Trend 5 – Enterprises Say... “Make Licensing Easier”

- Enterprise feedback: make it easier to use and scalable
- Producers are reacting:
  - Make “licensing invisible”
  - Reducing the # of features
  - Self-service portals
  - In product activation
  - Changing approach to licensing

**IDC 2012: 30% of Publishers provide in-product activation, 48% of enterprises say it is their preferred or most preferred method**

Enterprise Preferred licensing models	2008	2011	Enterprise Delta	Producer delta	Enterprise/Producer delta
Floating licenses	71%	48%	-23%	+27% ('09-'11)	50%
Trust-based licensing	9%	16.3%	+7.3%	-12.2%	20%
Vendor supplied automated monitoring mechanism with annual true-up	3.8%	12.2%	+8.4%	Not asked	
Dongles	2.5%	0.0%	-2.5%	+7%	9.5%
Product activation over internet	9%	22%	+13%	+20%	7%

IDC 2008 & 2011

# Q & A