

WHITE PAPER

Software Licensing and Entitlement Management: The Next Generation

Sponsored by: Flexera Software*

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IDC OPINION

As the software industry evolves, software producers, high-tech manufacturers, and enterprises are becoming more focused on improving the management of their software license assets. Software as a service (SaaS), virtualization, and an increasing demand for granular pay-per-use pricing models are fueling changes to licensing policy that require better tracking of software. When the economic crisis is added to this mix, the case for licensing and entitlement management technologies becomes even stronger. As a result, software producers and high-tech manufacturers should consider:

- ☒ Ongoing trends in pricing and packaging that call for additional flexibility as well as support for new usage scenarios and more granular packaging (There will be more changes on the horizon, and IDC expects that vendors will need to reevaluate their licensing, pricing, and packaging strategies. Managing a platform of license management technologies should be viewed as an ongoing process.)
- ☒ The entire life cycle, from manufacturing to distribution, in order to properly evaluate the decision in its broader context
- ☒ Whether it makes more sense to continue spending money on maintaining a homegrown or legacy system that isn't meeting current or future needs or whether investing in a third-party solution is a better approach
- ☒ Their core competencies with regard to building and maintaining a licensing and entitlement management technology platform (Some software producers may believe that because the company's core business is developing software, this capability can and should be extended to homegrown licensing technologies. Others may believe that although developing software is a core competency, developing and maintaining a platform of licensing technologies is not.)

IN THIS WHITE PAPER

This IDC white paper, commissioned by Flexera Software, provides a summary of the capabilities that constitute a licensing and entitlement management approach, or what IDC calls software product life-cycle management (SPLM), as well as the ways in which the application of these capabilities can help software producers and high-tech manufacturers. A key focus of the white paper is the decision to build, buy, or maintain a legacy system faced by companies that produce and sell commercially

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available software, especially when looking to improve their ability to install, license, manage, and track their software license assets. It also presents three case studies featuring software producers and high-tech manufacturers that are using Flexera Software's FlexNet Producer Suite technologies.

SITUATION OVERVIEW

Software Product Life-Cycle Management

For simplicity's sake, the term "licensing and entitlement management technologies" is used throughout this paper to describe a set of software-based capabilities that are utilized in combination to help productize, monetize, deliver, and install packaged software as well as to manage software/firmware embedded in devices and other types of hardware systems. IDC formally refers to these collective capabilities as software product life-cycle management (SPLM).

SPLM technologies help foster the movement of software through six phases:

- ☒ **Phase I: creation and management.** This phase includes code generation tools, version repositories, and approval workflow.
- ☒ **Phase II: configuration as a product.** This phase consists of tools to create salable software that includes applicable education, manuals, terms and conditions of the license, support agreements, and other elements associated with a single SKU.
- ☒ **Phase III: entitlement management.** Similar to other entitlement scenarios, this capability supports the identification and authorization of transactions involving the software SKU and can be linked to purchase order, receivables, electronic payment, or other accounting modules for either pre- or post-transaction reconciliation. This phase is also where a "license key," if necessary, is created.
- ☒ **Phase IV: delivery.** This phase is the "fulfillment" of the software and a "right to use" license. It is characterized by the movement of the software from the repository to the customer enterprise, either electronically or physically, and includes the transfer of the license key or electronic authorization as enabled by the vendor. This transfer may include intermediate steps of a single- or multitier reseller.
- ☒ **Phase V: installation.** This phase incorporates more traditional elements of IT asset management and is characterized by the proper installation and reporting of software added to any type of computing device.
- ☒ **Phase VI: control.** Incorporating the elements of discovery/inventory and software metering, this phase represents the control and compliance phase of the enterprise-level environment, including identifying and managing software license assets. The tools used to monitor usage not only focus on the instance of a software application or tool but also may monitor specific module or feature usage. They are the controlling entity for enforcing the enterprise's agreement with the terms and conditions of the right to use.

Due to the maturity of the software industry and an increased focus on recovering revenue associated with software piracy and noncompliance, much of the industry focus is on the installation and control of software assets at the customer site (phases V and VI of SPLM). These activities are very important; however, IDC has found that focusing on some of the "upstream" activities as well can have a cascading effect, leading to compliance improvements beyond those which could be recognized by focusing on control alone.

Figure 1 represents a visual overview of the SPLM process and includes typical activities in each phase and the existing markets that IDC tracks that represent some portion of the SPLM process.

FIGURE 1

Phases of Software Product Life-Cycle Management

<p style="text-align: center;">I. Create and Manage</p> <p>Characterized by:</p> <ul style="list-style-type: none"> ▪ Code generation tools ▪ Version repository ▪ Approval workflow <p>Markets include:</p> <ul style="list-style-type: none"> ▪ Code management ▪ Product life-cycle management ▪ Internal release management ▪ Product launch 	<p style="text-align: center;">II. Configure</p> <p>Characterized by:</p> <ul style="list-style-type: none"> ▪ Creating salable software ▪ Aligning SKUs for delivery <p>Markets include:</p> <ul style="list-style-type: none"> ▪ Product life-cycle management ▪ BOM management 	<p>Inside Vendor</p>
<p style="text-align: center;">III. Entitle</p> <p>Characterized by:</p> <ul style="list-style-type: none"> ▪ Saleable software ▪ Execute a contract ▪ License as a verb <p>Markets include:</p> <ul style="list-style-type: none"> ▪ Entitlement management ▪ License generation ▪ Electronic store 	<p style="text-align: center;">IV. Deliver</p> <p>Characterized by:</p> <ul style="list-style-type: none"> ▪ Movement of software from repository to customer ▪ Formally the fulfillment role <p>Markets include:</p> <ul style="list-style-type: none"> ▪ License fulfillment ▪ Electronic store ▪ Software distribution 	<p>Between Vendor and Enterprise</p>
<p style="text-align: center;">V. Install</p> <p>Characterized by:</p> <ul style="list-style-type: none"> ▪ Proper install/removal <p>Markets include:</p> <ul style="list-style-type: none"> ▪ Software installation ▪ Software configuration management 	<p style="text-align: center;">VI. Control</p> <p>Characterized by:</p> <ul style="list-style-type: none"> ▪ Audit function ▪ DRM ▪ License metering <p>Markets include:</p> <ul style="list-style-type: none"> ▪ Software asset management ▪ Purchase support ▪ Price analysis 	<p>Inside Enterprise</p>

Source: IDC, 2009

Awareness of the benefits of SPLM technologies has spread, and as a result, IDC has seen increased adoption of tools that assist in the management and tracking of software license assets. The benefits to software producers and customers include:

For producers:

- Faster time to market with new products — both homegrown and acquired via mergers and acquisitions
- Incremental revenue via electronic trials, upgrades, and renewals
- Flexible packaging capabilities, by turning on or off capabilities or features
- Reduced cost and increased efficiencies for vendors resulting from the reduction of manual processes or homegrown systems that do not meet the needs of today's dynamic software and high-tech manufacturer environment
- Reduced costs for high-tech manufacturers, by eliminating the need for additional production lines, minimizing the number of SKUs that have to be kept in inventory, and reducing the risk of excess and obsolete inventory
- Greater efficiency and reduced cost in product fulfillment and updates
- Increased ease of deploying a standard licensing infrastructure across products
- Improved customer satisfaction (both internal and external) due to systems that are well-maintained, easy to use, and based on industry-standard technologies

For customers:

- Reduced administration time for customers that must report their software utilization to vendors or other parties
- Increased efficiency for customers in the purchase and deployment of software licenses
- Enhanced ability to rightsize the software environment to ensure that the correct quantity of software is purchased
- Improved compliance with software license contract terms
- A consistent user experience across all of the same vendor's products (when that vendor has standardized on a licensing and entitlement management system)
- Faster time to benefit when the software is delivered expeditiously and the associated licensing technologies help facilitate access

In addition, SPLM technologies can enable vendors to adopt more flexible licensing approaches, such as license models that align closely with usage, while minimizing many of the complexities associated with offering increased flexibility.

To address the various requirements for SPLM, many vendors have a mix of homegrown systems, third-party technologies, and manual processes. The result is often a software product life cycle that is disconnected, inefficient, and lacking in key capabilities. Software producers and high-tech manufacturers that are experiencing these challenges and are considering how to address them are often faced with a decision to build, buy, or maintain their legacy systems.

Acquisition Strategies

Software Producers

Software producers typically have teams of software developers. When it comes to SPLM or licensing technologies, the visceral reaction from executives can be "Our core business is developing software, so why can't we just develop something ourselves?" Executives at other producers may come to the conclusion that although developing software is a core competency, developing and maintaining a platform of licensing technologies is not.

The key word here is "maintain" because the producer will be maintaining the technology for much longer than it takes to build it. It's important to take into account the dynamic state of software licensing, with trends such as SaaS, virtualization, and cloud computing pushing existing licensing approaches to their limit. Other requirements, such as the ability to offer more flexible licensing approaches such as pay per use, are also causing software producers to reevaluate current licensing practices. Software licensing and entitlement management technologies should enable the licensing strategies needed to stay competitive. All too often, limitations in these internally developed systems also limit a company's ability to adapt to changing requirements for licensing.

High-Tech Manufacturers

In addition to what has already been stated, high-tech manufacturers have a unique set of challenges. With shrinking margins on hardware sales, high-tech manufacturers are increasingly looking to monetize software assets, including ways of flexibly packaging these assets so that they can be utilized to control the feature set delivered to customers and reduce time to market. In many cases, these assets have been previously delivered to customers at no cost beyond that of acquiring the hardware. Beyond the challenges of establishing value and developing a pricing scheme for their software assets, high-tech manufacturers find licensing software to be a lot different from selling hardware.

For example, unlike physical hardware SKUs, software entitlements have a life cycle that makes it important to manage and track them accurately. In addition, the software that high-tech manufacturers are monetizing is usually embedded within the hardware itself. For high-tech manufacturers to monetize the software separately from the hardware, licensing technologies must be present to provide (and deny) access to the software, as well as turn on and off features as appropriate for the purposes of packaging. These technologies can also play a role in reducing excess and obsolete inventory by allowing multiple configurations of the same manufactured hardware.

In some cases, high-tech manufacturers may not sell the software as an option or part; instead, they may use the software to activate hardware devices, therefore creating an opportunity for the manufacturer to build a direct relationship with the customer.

A Life-Cycle Decision

When many software producers and high-tech manufacturers think of licensing technologies, they primarily consider technologies associated with activities in phases V and VI of SPLM — install and control. These activities take place at the customer site and are important in the context of ensuring compliance with the terms of software license contracts, which is certainly an important activity, especially in today's economy. However, as Figure 1 demonstrates, a whole range of capabilities along the software life cycle can help producers and high-tech manufacturers streamline processes and create efficiencies.

Therefore, when deciding whether to build, buy, or maintain a legacy licensing technology application or solution, software producers and high-tech manufacturers should consider the entire life cycle, from manufacturing to distribution, in order to properly evaluate the decision in its broader context. For example, in circumstances where the customer wants to be in compliance but doesn't have the basic information it needs to assess its current status, the first step to improved license compliance is better information on license status. One way of providing this information is through electronic licensing, where the software license file or entitlement is provided electronically to the customer.

In addition to looking holistically at what technologies should be a part of your licensing strategy, you should also consider other factors:

- Does your company currently have internal expertise in licensing technologies, and do you wish to expand and maintain this expertise?
- Does your company have development resources that can be utilized for the development, testing, and ongoing maintenance of licensing technologies?
- Does your company have resources that can provide support for an internally developed licensing technology solution?
- Is your company willing to address the significant requirements associated with the integration of a homegrown licensing technology with other relevant systems in both your internal environment and the customer's environment? How about the support for the technology across multiple platforms as required by customers?
- Does your company have an understanding of the evolution of software licensing, including the ways in which your approach may need to change in the future to adapt to new customer demands and market realities? Could an internally developed and supported licensing technology be flexible enough to adapt in a timely manner to new licensing scenarios?

This final bullet is a key point, especially in light of revenue opportunities associated with new usage models for software as well as more flexible packaging options.

For example, virtualization technologies can also present licensing challenges for software producers. Many of the approaches to licensing in virtualization scenarios require metering and tracking capabilities that are integrated with the virtual machine technology used by the customer. At the same time, many software publishers are not planning on changing their licensing approach, but they want to make sure that it is easy for customers that use their software in a virtual environment to stay compliant.

The subscription nature of SaaS delivery models is increasingly prevalent in the industry, and software producers across the industry need to be responsive to this trend or face competitive disadvantage. Vendors that roll out SaaS models will be faced with a host of software pricing and packaging decisions and will most likely find that their traditional on-premise models are not appropriate for SaaS.

In addition, customers are expressing a desire for the ability to purchase software at a more granular level than in the past. This includes an increased interest in pay-per-use models. The development and commercialization of Web services application components is part of this trend, as is a general customer sentiment to consume smaller quantities of software to address specific business processes. Responding to such trends will require changes to pricing and packaging of software as well as to the underlying license management platform.

There will be more changes on the horizon, and IDC expects vendors will continually need to evaluate their pricing and packaging strategies. As a result, managing a platform of licensing and entitlement management technologies should be viewed as an ongoing process. As elements of flexibility are added into licensing scenarios, the technology to manage this becomes increasingly complex. For companies that build this platform internally, these complexities can translate into increased cost and time associated with the internal resources in development and operations that may be pulled away from the company's core competency.

Perhaps the most difficult question of all relates to cost. Is it more costly to purchase a third-party licensing and entitlement management technology platform or to develop and support such a platform internally? What is the return on investment (ROI)? This white paper cannot answer these complex questions for each software producer and high-tech manufacturer in every circumstance. Either approach will require an investment. Oftentimes, the decision comes down to whether it makes more sense to invest in the maintenance or improvement of a homegrown system or the purchase of a third-party solution. One important point is that when considering the investment required for building and maintaining a platform internally, producers and high-tech manufacturers often underestimate the ongoing costs associated with doing so unless they have already tried this approach.

To try to better understand the decision to build, buy, or maintain legacy systems that software producers and high-tech manufacturers confront when considering licensing technologies, IDC conducted case studies of three Flexera Software customers: Foray, Siemens, and Sybase.

CASE STUDIES

Foray Technologies

Foray Technologies Inc. is a provider of software designed to store, maintain, search, and analyze digital evidence gathered at crime scenes. The company works exclusively with law enforcement agencies, providing forensic professionals with a range of image analysis tools including forensic analysis, pattern removal, image calibration, and automatic processing tracking. Foray Technologies is headquartered in San Diego, California, with locations in Washington, D.C.; Baltimore; Charlotte; Chicago; and Seattle.

When Foray Technologies was founded in the mid-1990s, its customers were primarily working with scanned images inside of a lab, usually on a single workstation. Licensing wasn't a huge challenge at the time because the software was always node locked and installed on just a few customer machines.

Since then, two major changes have occurred: Images now include audio and video, and they are increasingly digital. Agencies that haven't "gone digital" yet are being forced to do so. In addition, volumes are higher, workstations are now networked, and Foray's customers are acquiring more seats with rollouts to 25–50 workstations being commonplace.

Business Challenge

With the preceding changes came licensing challenges. "Suddenly, we had to deal with all the licensing problems that big software companies have to deal with," said Mont Rothstein, Vice President of Product Development at Foray Technologies.

The company had a homegrown key generator with no management or tracking. Installation engineers either would have the key technology with them in the field — not ideal from a security standpoint — or would read keys over the phone. Reactivation was a big headache, with customers phoning in those requests as well. As Foray's user base and footprint expanded, the time and effort going into day-to-day licensing operations was placing a great internal burden on the company.

At the same time, the company's product line was maturing, and Foray wanted to be able to offer more sophisticated licensing that corresponded to the level of functionality the customer needed. The product itself wouldn't change, but the licensing would enable certain functionality to be accessible depending on customer requirements. Foray wanted to be able to control functionality, license it securely, and turn on features for customers that wished to upgrade.

Build Versus Buy Decision

While Foray looked at all options, it didn't consider building an in-house system for managing and tracking its software licenses for a very long time. The company's philosophy is to avoid doing anything in-house that isn't a core competency. Foray also believed that building an internal management solution would cost more to develop in-house than the company was likely to spend externally, especially on an ongoing basis. Within little time, the company knew it wanted to buy; it was just a matter of what it was going to buy and from whom.

Selection of Flexera Software Solution

Foray's customers are law enforcement agencies that want to be in compliance. As such, the company wanted a sophisticated licensing solution that would make things easier for its customers and for itself. At the same time, the company needed a solution that could handle licensing products by feature. Support for subfeature functionality was one of the deciding factors for Foray, and this requirement shortened the list of qualified vendors.

Foray considered a wide range of hosted and on-premise solutions. As well, the company considered buying from firms that were quite small as well as at least one vendor that was very large. For Foray, the most notable aspect about Flexera Software was flexibility. Said Rothstein, "Our licensing needs may be even greater than a larger company that can force their customer into a limited set of choices. We have to be flexible and give customers product and licensing options to accommodate their desires and needs."

Implementation

Foray Technologies purchased Flexera Software's FlexNet Operations and FlexNet Publisher, part of the FlexNet Producer Suite. These technologies are used for all of Foray's digital asset management offerings for law enforcement.

Less than two months from the start of implementation, the offering was fully deployed and available to customers.

Benefits of Flexera Software

From a support standpoint, Foray has greatly reduced the amount of time it spends dealing with licensing support and activation. While Foray still supports phone-based activation, the majority of activations are now done over the Web. When customers activate their software over the Internet, that information is stored in a secure repository. This assists with the reactivation process — when a customer needs to activate a replacement machine, Foray can easily deactivate the old machine and free up the license and make it available for the customer to move onto a different machine.

In addition, Foray has been able to offer its customers more flexible licensing scenarios as a result of the FlexNet Producer Suite. "Our ability to sell subfeatures and modules is completely enabled by the technology," said Rothstein. The company now offers a rightsized pricing model where customers can purchase only the functionality they need. The new model impacts the company's bottom line. "Getting away from one size fits all has allowed us to increase our revenue," said Rothstein.

Closing Thoughts

The company's experience with Flexera Software has been great, said Rothstein, adding that Foray would recommend and has recommended Flexera Software to colleagues, though "hopefully not to our competitors." Rothstein has observed that since the divestiture from Macrovision, Flexera Software has become more focused and has improved its support and responsiveness.

Siemens Building Technologies

The Siemens Building Technologies division provides products that automate building controls, including fire, security, HVAC, and lighting. Siemens Building Technologies operates more than 500 branch offices in 51 countries around the world and eight manufacturing facilities in Europe, the United States, and Asia. The division's offerings include both devices with embedded firmware and standalone software products. This case study focuses on the products that use firmware.

Business Challenge

Siemens Building Technologies has about 700 variants of firmware, which in the past resulted in 700 SKUs because each variant of firmware carried a different part number. The hardware itself was the same, but custom specifications on top of the hardware would result in a variant. Customers couldn't upgrade or switch from one firmware variant to another. All of these variants had to be stocked in a warehouse, and service technicians in the field also had to stock multiple copies of these variants for any onsite work that they did.

Siemens Building Technologies wanted to lower the number of SKUs and to offer customers more flexibility. A few years prior to the selection of Flexera Software, Siemens Building Technologies went through the requirements and built use cases to select and deploy technology to assist with this process, but the project was shelved. When the challenges associated with managing the stocking and provisioning of firmware variants came to the attention of management again, they decided it was time to make an investment.

Build Versus Buy Decision

In-house was never an option for Siemens Building Technologies. According to Duane Keenan Jr., Manager of Integrated Solutions at Siemens Building Technologies, it was so obvious that the division would purchase an out-of-the-box solution that it didn't have the kinds of detailed decision and variant analysis discussions that are typical at Siemens when buy versus build is being considered. In addition, being a large firm, an internal project of this magnitude would require a lot of process and time, and it didn't want to wait years for internal development.

Selection of Flexera Software Solution

Flexera Software offered what Siemens Building Technologies needed right out of the box, which was a key factor in the selection of Flexera Software. "Their sales team and sales support engineers were out of this world for us," said Keenan. "Flexera Software took time to understand our business needs — they didn't just come here off the street and sell us something."

Implementation

One of the first steps in the implementation process was to add a licensing mechanism to Siemens Building Technologies' firmware, which Flexera Software helped to do. Once that was accomplished, it was three to six months until the internal launch,

followed by an external launch within the next six months. The next step was integration with the company's SAP system, which was accomplished within the next six months.

Benefits of Flexera Software

Flexera Software has helped Siemens Building Technologies change the way it stocks and delivers variants of its firmware offering. Instead of having multiple SKUs, there is now one single version of the product, which is all that needs to be stocked. Siemens Building Technologies uses licensing, enabled by the FlexNet Producer Suite, to make the stock firmware into any variant it needs. Keenan calls this "just-in-time licensing."

A direct cost savings is associated with this benefit because the reduction in SKUs means a reduction in excess stock. Siemens Building Technologies' field organization has seen a productivity benefit as well. In the past, the field organization had to stock many copies of these variants in its locations. There were times when it would go to use a variant with a customer only to find that the one it had in stock was an older version. Now, it just stocks the standard hardware and turns it into anything it needs via licensing.

Closing Thoughts

According to Keenan, the experience with Flexera Software "started out very good and today is the same or even better. We have a phenomenal partnership with them."

Sybase Inc.

Sybase is a global provider of enterprise and mobile software to manage, analyze, and mobilize information. The company's solutions are utilized in the most data-intensive industries and across major systems, networks, and devices. Sybase has earned the trust of many of the world's leading companies by providing them with the ability to manage information and deliver high levels of data reliability and security.

Sybase was founded in 1984. Like many large enterprise software providers, Sybase has had many iterations of software delivery and license management technologies. This includes both homegrown solutions and a mix of third-party solutions. Consolidation is happening on the software publisher side as well as on the third-party provider side.

At the same time, Sybase's software licensing approaches must be flexible to adapt to new customer and market requirements. All of this means that Sybase's software delivery and license management approach is a dynamic part of the company's operational strategy.

Business Challenge

Sybase has a relatively long history with third-party license management technologies, going back to the mid-1990s. Sybase first engaged with a company called Globetrotter for license management to help address a specific product packaging need; Sybase had a core database offering and needed the ability to flexibly package multiple options for customers in addition to the core. Globetrotter

was acquired by Flexera Software (then Macrovision) in 2000, and the technology became part of the FlexNet family of license management offerings.

At the same time, executive management at Sybase had a vision for touchless order placement and customer self-service enablement via the Web, with an eye on the potential cost savings of this approach. In 2002 this vision became a reality as Sybase engaged with Intraware to enable delivery of Sybase products to customers via electronic software downloads. The Sybase Product Download Center went live in May 2003.

In 2005 Sybase began the next phase of FlexNet implementation, focusing more on piracy prevention. The driving factors behind this initiative were to stop revenue leakage due to piracy, help the honest customer, and hinder the dishonest customer.

Build Versus Buy Decision

It can be challenging to come up with the hard numbers to decide between a buy or build approach. While the cost of a third-party solution is easy to point to, it is much harder to determine what it takes to build and maintain a robust software delivery and license management system that can adapt to change as required by the need to stay competitive in a dynamic marketplace.

Oftentimes, companies that have already experienced in-house software delivery or license management are the best advocates for sourcing a third party. While either approach can have its challenges, it's hard to anticipate the potential hidden costs and shortcomings of in-house management unless you have already been through it. This was the case at Sybase, a company with decades of experience with both buy and build approaches.

In addition, Sybase wanted to tap its operating budget to procure the necessary technology for the Product Download Center rather than incur a capital expenditure. This led the company to look at a hosted solution via a subscription, which made Intraware especially attractive.

Selection of Flexera Software Solution

Prior to Sybase's current relationship with Flexera Software, it had engaged with two different vendors: Globetrotter and Intraware. Both companies were eventually acquired by Flexera Software. Of course, Flexera Software was part of Macrovision up until March 2008. Despite the circuitous path to its eventual relationship with Flexera Software, Sybase reports that it has been a very positive evolution.

Implementation

The implementation approach is outlined in the Business Challenge section. Sybase focused first on its Product Download Center, going live with Intraware SubscribeNet (now Flexera Software) in 2003. It then focused on piracy prevention with the implementation of FlexNet in 2005.

Benefits of Flexera Software

Flexera Software technology has enabled software delivery and license management at Sybase:

Sybase Product Download Center is an online destination where customers can manage their Sybase software from a secure download site.

Sybase Software Asset Management (SySAM) is a license management mechanism designed to help customers easily track and manage their licenses. SySAM provides system administrators with a means to enable and monitor their site's use of Sybase products and optional features.

Both the Sybase Product Download Center and SySAM are beneficial to customers and to Sybase.

Customer Benefits

Integrated, self-service solution for product fulfillment and license management

Email notifications of new product releases and order confirmations

Administer who can download products/generate licenses

Control/visibility of license deployments

Maintain existing license deployments (support renewal license upgrades, rehosting/redeploying licenses, etc.)

Ability to view order history

Sybase Benefits

Enablement of customer self-service versus repetitive transaction processing

Revenue recognition of electronic order fulfillment

Easy to audit

Scalable solution capable of supporting new pricing/licensing models utilizing license templates

Sybase has quantified the benefits of Flexera Software technology based on metrics that show the successful adoption of software downloads and licensing

Download adoption

>99% fixes/patches

>98% product updates

>75–80% revenue orders

Licensing adoption (not all Sybase products in scope, some acquisition products not converted yet)

>250,000 licenses generated

>1,600 licenses generated per week

Furthermore, the elimination of physical product distribution resulted in the closure of an EMEA-based distribution center and significant overall product unit cost reduction.

Closing Thoughts

Sybase is a strong advocate for both electronic software delivery and license management, and it has kept its customers' needs central in the design, implementation, and ongoing management of these systems. The company has a history of supporting open standards in the software industry, and this philosophy has extended to its software delivery and license management strategy. Because the system is based on Flexera Software technology, it uses an industry-standard license management technology that can be extended beyond Sybase products (or integrated into an existing license management framework). The company believes that this approach, which is powered by Flexera Software, helps provide it with a competitive advantage.

Flexera Software Company Overview

The Company

Flexera Software is a provider of installation, licensing, entitlement management, electronic software delivery, and compliance management technologies. These offerings are designed to simplify the business relationships between software producers and high-tech manufacturers and their enterprise and government customers. Flexera Software's offerings have gained traction as producers and manufacturers focus on maximizing software revenue opportunities while enterprises focus on minimizing excess spend on software.

With more than 20 years of industry expertise, Flexera Software has worked with over 70,000 customers, including many Fortune 1000 companies. The company's FlexNet licensing technology is recognized as the de facto industry standard. Flexera Software's FlexNet Producer Suite is designed to make the process of moving software assets through development, manufacturing, and distribution more efficient and to maintain a link between producer and customer to enable the capture of intelligence on how customers use and value the software. Key features include:

- Flexible licensing, pricing, and product/solution packaging
- Entitlement management
- Marketing campaigns push
- Electronic software distribution

In January 2009, Flexera Software announced its acquisition of Intraware's technology and infrastructure, which expands Flexera Software's entitlement management and electronic software distribution portfolio to include SaaS delivery. Despite having a busy year in terms of divestitures and acquisitions, Flexera Software has demonstrated continued investment in product innovation. Flexera Software's technologies for software producers and high-tech manufacturers are designed to offer the following key benefits:

- Software producers
 - Ensuring revenues and preventing leakage such as piracy
 - Managing entitlements and understanding customer usage
 - Gaining insights into customer and demographic data for upsell/cross-sell
 - Ensuring users are in compliance with vendor agreements
 - Reducing time to market
- High-tech manufacturers
 - Preventing gray market activities
 - Streamlining manufacturing processes and reducing costs
 - Reducing number of SKUs and amount of inventory
 - Ensuring greater visibility into sales channels
 - Reducing time to market

Flexera Software views the process of software manufacturing and distribution as a continuous cycle, and as such, the company's technologies are designed to support the continuous improvement of software products. Part of this is a feature that allows software producers to capture customer usage data, with customer opt-in, to gather intelligence on how the software is being utilized. This intelligence can be provided to development teams for consideration and possible incorporation into the software product.

CHALLENGES/OPPORTUNITIES

Challenges

Just as managing a set of internally developed licensing technologies can be challenging, supporting software producers' complex requirements with a platform of licensing and entitlement management technologies is not a simple task. Since launching its first product for software producers in 1982, Flexera Software has strived to continually evolve the products to meet changing market requirements and will need to continue to do so as the software market landscape continues to progress through rapid change.

Selling a software product to companies that specialize in developing software is a tall order. These companies must be convinced of why they need licensing and entitlement management technologies in the first place (if it is not already obvious) and then convinced of why they should not try to build and support this themselves. Just as it is said that a doctor is often the most challenging patient, software companies have high expectations. In short, Flexera Software's customers keep the bar high, which is a challenge for the company but one that can result in a better product and better service when feedback is incorporated.

A final note is that the market landscape for vendors such as Flexera Software that provide licensing, entitlement management, and compliance technologies is highly fragmented. It is difficult to make head-to-head vendor comparisons because there aren't too many comparable solutions and providers. This can be challenging for decision makers who generally like to consider similar bids from more than one provider before making a major investment. In addition, it may raise questions in the minds of investors who might wonder why there aren't more companies scrambling to provide these technologies to software producers and high-tech manufacturers. The complex nature of these products and the challenges associated with selling software to software producers and high-tech manufacturers are two gating factors that make it difficult for a new entrant to ramp up quickly to the level that Flexera Software has achieved over the years.

Opportunities

IDC believes that a number of dynamics are contributing to the growth of interest in and spending on technologies that assist with the licensing, metering, and tracking of software. Almost every trend in software licensing today points to the need for additional technology to enable licensing models that require the tracking of:

- Software usage
- Software deployment statistics, such as geographic location or hardware configuration
- Concurrent or floating licenses

Other drivers for licensing technologies include the continued proliferation of metrics, SKUs, and productized approaches to delivering software to new markets that all cause managing software to become increasingly complex.

End-user enterprises will be looking to SPLM technologies to help them save money by optimizing software spend. This includes aligning purchases more closely with actual need and reducing spending on unused licenses and associated maintenance costs.

In addition, the following trends are fueling the growth of SPLM technologies:

- Consolidation in the technology industry, which brings together companies and products that have different licensing schemes, practices, and policies. Rationalizing this and providing a consistent framework can be difficult. Some vendors are turning to SPLM technologies for assistance with this challenge.
- The dynamic state of software licensing means that companies must be responsive to calls for changes in licensing in a timely manner, which points to packaged solutions.
- SPLM vendors can share a road map for the future of software licensing, which may be helpful for vendors that aren't sure how to separate hype from reality.

CONCLUSION

Today, many software producers and high-tech manufacturers rely on a mix of homegrown systems, third-party technologies, and manual processes to address various aspects of software licensing, entitlement management, electronic software delivery, and compliance management. The result is often a software product life cycle that is disconnected, inefficient, and lacking in key capabilities. This can make it difficult for software producers and high-tech manufacturers to respond to customer and market demands for new pricing and packaging scenarios. Software producers that are experiencing these challenges and are considering how to address them often grapple with the decision to build, buy, or maintain a legacy system.

The ability of software producers and high-tech manufacturers to understand their core competencies with regard to building and maintaining a licensing and entitlement management technology platform is often a key driver in this decision. The desire to focus on core competency was a driver for the three companies that were profiled in this IDC white paper, companies that opted for a packaged solution from Flexera Software. Other key factors that influenced the decision to go with Flexera Software included:

- ☒ Out-of-the-box support of flexible policies such as subfeature licensing
- ☒ Budget requirements, such as the ability to tap operating budgets in a pay-as-you-go subscription model
- ☒ The high costs of maintaining an in-house system relative to buying from a third party such as Flexera Software
- ☒ Faster time to market/ability to avoid the time and onerous processes that can be associated with in-house development and deployment

Overall, the three Flexera Software customers IDC interviewed experienced cost reductions that resulted in part from the elimination of manual or otherwise inefficient internal processes as well as productivity improvements stemming from the use of the Flexera Software technology.

Whether software producers and high-tech manufacturers decide to build, buy, or maintain a legacy system, they will continue to face many challenges associated with software pricing, packaging, and license management. Whether it is the development of SaaS or subscription strategies, an initiative to add consistency across product lines, a goal of increasing software license compliance, or the adoption of flexible pay-per-use models, a platform of licensing technologies will provide only part of the solution. However, in today's dynamic software market environment, these technologies are a necessary component of any software pricing and licensing strategy.

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