

Leading Licensing Practices for Technology Solutions

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Agenda

- Introductions
- Disruptive Industry Trends
- Key Implications for Licensing Models
- Typical Challenges for Organizations
- Critical Success Factors for Licensing Evolution
- Summary

Accenture Overview

Accenture is a global consultancy, technology and outsourcing organization that serves clients across all industry groups

Comms & High Tech

Financial Services

Health & Public Service

Products

Resources

Management Consulting



Customer Relationship Management	Strategy
Finance & Performance Management	Talent & Org. Performance
Supply Chain Management	Risk Management

Technology



IT Strategy & Transformation	Information Management Services
Systems Integration	Application Outsourcing
Technology Consulting	IT Infrastructure Outsourcing
Accenture Technology Labs	

Business Process Outsourcing



Finance & Accounting	Learning
Procurement	Customer Contact
Human Resources	Engineering

\$24B in revenue

230,000 professionals in 48 countries

93 of Fortune 100 and more than three-quarters of the Fortune 500 are clients

Sample recognition for High Performance:

Rated by top industry analysts as a market leader in technology consulting, systems integration, and outsourcing

Fortune's list of "World's Most Admired Companies" for 6th straight year

Working Mother magazine's "100 Best Companies for Working Mothers"

Named to Fortune's "100 Best Companies to Work For" list for the 2nd consecutive year

Ranked No. 5 on Business Week's "Best Companies for Leadership"

Ranked 47th best global brand by Interbrand

Ranked No. 3 on DiversityInc's "Top 10 Companies for Global Diversity"

Achieved perfect score on Human Rights Campaign's Corporate Equality Index

Supported 17 nonprofit organizations around the world through Accenture giving and Accenture Foundations grants

Accenture has successfully helped many clients with their Licensing, Pricing & Entitlement challenges.

Selected Client Examples



Typical Licensing, Entitlement, Pricing Engagements

- Licensing Process and Systems Deployment:
 - 15+ years experience designing, developing and implementing all major licensing programs and systems (ordering, fulfillment, entitlements, enforcement etc.)
- Entitlements & Renewals Management Simplification
 - Improve attach & maintenance rates
 - Increase renewal rates
 - Enhance customer experience with self-service entitlement & license mgt; upgrades, cross-grades, etc.
 - Streamline business processes to reduce cycle times
- Licensing and Pricing Strategy Development:
 - Position company's software offerings (product/on premise & as a service) optimally in the market
 - Optimize business model & monetization of software offerings to drive growth and profitability and overall shareholder value
- Licensing and Services Integration Strategy and Plans:
 - Create integrated offers / suites versus point product licensing to ensure offerings targeted toward critical business priorities and true buying patterns
 - Identify programmatic changes and system enhancements needed

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Ten driving forces are pushing the software industry into the next phase of development (1/2).

Consumerization

- Consumerization is the trend describing how individuals increase their influence and control of devices used within the enterprise world, e.g. by bringing their own devices into the enterprise IT environment or by accessing consumer applications from enterprise networks.

Social/Local Networking

- A fundamental cultural shift in terms of engaging customers, employees and partners in new and different ways is driving the “social business” movement. This is further enabled by the adoption of social-enabled applications formed from the intersection of collaboration, content, search, communities, CRM and Web 2.0 tools.

Mobility

- The mobility trend summarizes the development of services and applications using wireless technologies, both involving people and machine-to-machine communication.
- Examples of mobility solutions include mobile banking, fleet management and field force solutions.

Cloud

- The development of Cloud-based services in all its forms (e.g. software, platforms, infrastructure) is closely linked to the mobility trend, driving innovation in organizing data and content remotely
- As the different types of cloud offerings are emerging, High Tech vendors rush to adopt offering portfolios as well as sales and delivery processes to the new Cloud reality.

Data

- The growing explosion of data volumes dispersed across many more locations with far more owners is causing services and analytics to become more widely distributed too.

Source: Accenture Analysis, Gartner, IDC, Factiva

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Ten driving forces are pushing the software industry into the next phase of development (2/2).

Open Source

- Companies continue to use more open source software products and components to augment internal code creation, causing open source development to become more mainstream, putting continued pressure on proprietary frameworks.

Security

- Consumerization, Mobility, Cloud, Data, Open Source bring security up on the agenda.
- The security challenges that companies face range across insufficient network security solutions due to rapid build-out, uncontrollable flux of sensitive data between devices, the merge of private and business applications.

Shift to Emerging Markets (demand, R&D)

- Emerging market consumers show a greater familiarity with new devices such as tablets and e-Readers., and they have a greater interest in using devices in innovative ways.
- The next step in the development for emerging markets is to move away from being only a R&D host to becoming a driving force in innovation by taking control over the R&D agenda.

Industry Consolidation

- Increased alliance-building, partnerships, acquisitions between horizontal and vertical application suppliers continue to blur the lines between horizontal and vertical apps, allowing: a) vertical application vendors to augment horizontal functions such as accounting, payment processing, etc. with online services and b) horizontal application vendors to extend their partner ecosystems and match industry-specific capabilities of vertical competitors.

SaaS

- Everything-as-a-service delivery models across various cloud layers for ASPs, ISVs, SIs, hardware firms.....
- Driving to more customized licensing models – e.g. subscription, utility, etc.
- “Pure play” ASPs getting involved in app customization and taking app infrastructure portions (network, delivery, etc.) out from the customer interface.

Source: Accenture Analysis, Gartner, IDC, Factiva

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Software business & operating models are, therefore, transforming radically as well.

Business Model

- The essence of how a company makes money in a particular market
- Each business model is a unique and logical combination of target customer + value proposition + offering + *revenue / pricing model* + go-to-market approach
- Historically, most companies operated only 1-2 business models
- Companies will move towards having a portfolio of business models
- *Examples: Licensed software and Software-as-a-Service*

*Requirements
Definition &
Performance
Expectations*



*Cost and SLA
agreements*

Operating Model

- The holistic set of operational processes, people, and systems needed to successfully deliver against the business model strategy
- A company may have one or more operating models
- Each operating model has unique cost and service level characteristics
- As business model complexity increases, operating model complexity is also exploding
- *Examples: Volume vs. Value; Low Cost vs. High Innovation; Low Touch vs. High Touch*

Essentially, software and software-related companies are re-inventing how value is captured, committed to, delivered & managed throughout the customer relationship – going beyond the traditional sales cycle to include service, support & maintenance up to the end of a solution's useful life.

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Traditional licensing models are evolving due to disruptive industry trends.

Licensing: Key Disruptive Trends

Disruptive Trend	Traditional Licensing Model	Emerging Licensing Model
ASP and Hosted Services	Perpetual, User or Enterprise License Models	Subscription and Transaction Based
Virtualization	Performance, Capacity, Device Based Models	Unit of measure around virtual environments
Cloud – IaaS, PaaS, SaaS	Enterprise, Performance Based Models	Consumption Based – Time, Capacity, Features, ...
Computing Anywhere, Any Device	Device Based	Pay-Per-Use, Embedded

As funding for computing hardware and software continues to shift from CAPEX to OPEX, enterprises are also shifting their focus: license contract terms are being aligned with the shifting enterprise business model(s)

Source: Accenture Leading Practices

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Increasing industry vertical integration is necessitating complex licensing arrangements for service providers.

Licensing: Varying Industry Models

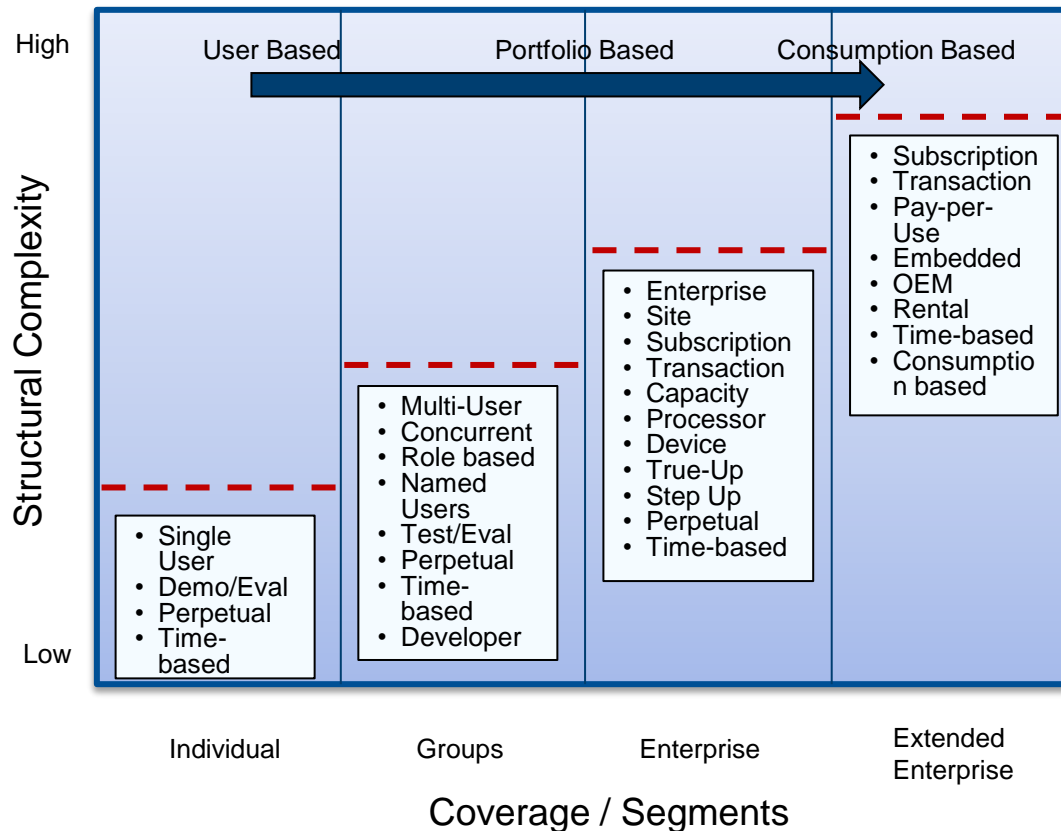
	Mainframe Heritage Provider	Software Heritage Provider	Storage Heritage Provider	Service Heritage Provider	Hardware, Software, Services Provider
Key Services Provided	<ul style="list-style-type: none"> • Mainframe • Servers • Storage • Software • Services • Hosting • Sourcing 	<ul style="list-style-type: none"> • Software • Services • Operating Systems • Platforms • PaaS • SaaS 	<ul style="list-style-type: none"> • Storage • Services • IaaS • PaaS 	<ul style="list-style-type: none"> • Software • SaaS • Services 	<ul style="list-style-type: none"> • Servers • End User Devices • Services • Software • Solutions
Standard Licensing Models	<ul style="list-style-type: none"> • Performance • CPU • Time-share • Product • Transaction 	<ul style="list-style-type: none"> • Open • Select • Enterprise • Academic • CALs • Component • Processor 	<ul style="list-style-type: none"> • Processor • Device 	<ul style="list-style-type: none"> • Not Applicable 	<ul style="list-style-type: none"> • TBD
Emerging Licensing Models	<ul style="list-style-type: none"> • Subscription • On-Demand • Usage • VMs 	<ul style="list-style-type: none"> • Royalty • Service Provider (embedded) • Usage 	<ul style="list-style-type: none"> • Capacity • Consumption • Fixed / Variable 	<ul style="list-style-type: none"> • User • Usage • Functions/ Features 	<ul style="list-style-type: none"> • TBD

Source: Accenture Leading Practices

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Licensing complexity is increasing with the scope of coverage and segments addressed.

Licensing: Scope & Coverage



Typical Dimensions Used By High Tech Companies To License Solutions

- Users – Single vs. Multiple
- Organization – Work Group, Enterprise, Sites
- Software – Products, Functions, Features
- Machines – Cores, Processors, Performance, Capacity, Virtual Environments
- Usage – Transaction, Time, Capacity
-

1. List is not exhaustive and shown here to illustrate trends and complexity
2. Specific licensing strategies and implementation varies by vendors

Source: Accenture Leading Practices

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These evolving commercial aspects have led to a proliferating & complex set of pricing models.

Various payment categories with multiple tiered discounting structures and multiple pricing strategies across highly-configured product & service offerings & bundles

	Payment Categories	Description
Milestone	Start-up / Connection	T&M Cost + arrangement when customization / integration is required
	Value-based	Price linked to performance / business outcome
	Value-added Service	Foundation offering with additional services (help desk, strategy, optimization, migration, etc.) delivered as a premium offer
	Gain-share	Full price up front with opportunity for benchmark credits in return
Subscription	Per User	Flat fee typically monthly, but can be quarterly or annual as well
	Application	Users are unlimited
	Scaling	As more are added unit costs decline
	Features	“a-la-carte” system of pricing based on functionality included or excluded from product set
	Trial based	Specific capabilities offered free of cost for a specified period of time
	Freemium	Free basic level with premium for upgrade
Unit	Price Per Transaction	Transactions are defined, measurable, and linked to client value
	Price Per Business Entity	Macro vs. the Micro especially in Private Cloud for Enterprise
	Minimums	Mitigates unpredictable usage risk
	Storage	Little daily use but heavy storage
	Price / Hr. or “Utility”	Typical IaaS Compute metric (e.g, CPU, RAM, etc.)
	Spot Instances	Bid for Space or compute capacity
	License	Traditional hardware-based license approach with standard pricing and maintenance terms

Source: Accenture Leading Practices

Customers are eager for simplification and value in pricing and licensing models.

Licensing: Typical Vendor & Customer Considerations

Area	Vendor Perspective	Customer Perspective
Use Metric	<ul style="list-style-type: none"> • Must be objective, easy to define, measure, and enforce (e.g., performance, # of users) 	<ul style="list-style-type: none"> • Must have strong relationship to value perceived (e.g., business transaction, # of employees supported)
Cost of administration	<ul style="list-style-type: none"> • On-going costs/resources to administer program need to be defined and reasonable 	<ul style="list-style-type: none"> • Burden of administrative costs should be on vendor rather than customer
Technical feasibility	<ul style="list-style-type: none"> • Tools and product updates required to support usage reporting, billing? 	<ul style="list-style-type: none"> • Burden of technical requirements should be on vendor rather than customer
Predictability	<ul style="list-style-type: none"> • Financial management change to accommodate less predictable revenue (planning, etc.) 	<ul style="list-style-type: none"> • Procurement and management change to accept variable billing (some periods more or less than others)
Min floor?	<ul style="list-style-type: none"> • A minimum floor should be put in place to cover fixed costs of customer maintenance. 	<ul style="list-style-type: none"> • None
Max cap?	<ul style="list-style-type: none"> • There should be upside from higher invoices for higher usage, but a cap may protect against customer complaints. 	<ul style="list-style-type: none"> • Need a cap to ensure against “unlimited” budget risk.
License conversions	<ul style="list-style-type: none"> • If currently under traditional license types, may require migration to subscription model to support usage-pricing. 	<ul style="list-style-type: none"> • Help needed navigating migration from perpetual licenses
Revenue risk	<ul style="list-style-type: none"> • For established vendors, risk of significant volume (license quantity) decrease may result in revenue risk. 	<ul style="list-style-type: none"> • Expectation will typically be reduction in total fees by moving to usage-pricing.
Market impact	<ul style="list-style-type: none"> • Can instigate price war. 	<ul style="list-style-type: none"> • All vendors should participate in usage-pricing.

Source: Accenture Leading Practices

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Licensing-related pain points continue to create revenue, margin and customer satisfaction challenges.

	Description	Value Add	Typical Pain Points
License	Right to use the software, perpetually or for a specified period of time	Establishes legal terms governing product usage and end user rights and obligations	<ul style="list-style-type: none"> • Revenue leakage and piracy • Lack of visibility to license position (over- and under-deployment) • Failure to monetize software in bundled solution sale
Maintenance	Ability to upgrade to new versions of software released during the term of maintenance agreement	Gives customers assurance of access to future upgrades and generates an annuity revenue model to software provider	<ul style="list-style-type: none"> • Missed renewals opportunities • Finding right mix of Incentives for new license sales vs. renewals • Rules of engagement with partners in sales and delivery • Management of “entitlements”
Support	Help and Break/ Fix services provided to customers (or partners on behalf of customers) – contracted for a term or offered on pay-per-incident basis. May include consulting	Vital part of customer experience and opportunity to broaden relationship (cross-sell/ up- sell)	<ul style="list-style-type: none"> • Management of entitlements • Rules of engagement with partners in sales and delivery • Economics of labor-based model • Billing and payment complications
Licensing Programs	Buying programs through which customers procure software, support and other services, with preferred pricing at higher volume, and other benefits (such as bundled maintenance)	Growth engines for ISVs; provides opportunity to gear product and service offerings to business customer segments and deepen customer relationships	<ul style="list-style-type: none"> • Programs have tendency to become complex • Negotiations also become more complex, especially larger • Entitlements become more diverse and challenging to manage • Missed renewals opportunities

Source: Accenture Client Experiences

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These challenges span across operational licensing & entitlement capabilities (1/2).

Capability	Some Typical Industry Challenges
1. License & Entitlement Strategy and Governance	<ul style="list-style-type: none">• Fully understanding who has what, who is allowed to have what, what are customers supposed to pay• Lack of a dedicated organization owning Licensing Revenue stream with P&L responsibility• Aligning sales force to solution selling that optimizes value• Balancing standardization for efficiency versus customization for revenue and customer experience• Customer / Channel Incentives for becoming compliant• Recognize that testing and experimenting with customers will be critical to shaping the program (licensing model, training, etc.)• Understanding that Licensing practices have impact on each part of the enterprise• Establishing business ownership and program governance upfront is critical (e.g. single point decision making) and accountability throughout the organization• Understanding that implications of SaaS and Cloud are not fully-defined but require forward thinking
2. License & Entitlement Maintenance	<ul style="list-style-type: none">• Lack of quick win compliance options for customers: e.g. asset management tools and a “grace period” to get compliant without penalties• Balancing anti-piracy with customer experience and market share
3. Solution Operations	<ul style="list-style-type: none">• Quote to contract cycle often dependent on electronic signature/contract capabilities• New licensing program launch process critical in time to market

Source: Accenture Client Experiences

Not Exhaustive

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These challenges span across operational licensing & entitlement capabilities (2/2).

Capability	Some Typical Industry Challenges
4. License & Entitlement Foundation	<ul style="list-style-type: none">• Licensing programs are too complex for customers to understand and operations and channel partners to support• Licensing programs are too complex to allow strong end-to-end metrics / monitoring of entitlements• Licensing programs are too complex to allow effective value-capture and monetization – causing revenue and margin leakage• Technical limitations in product / solution architectures• Data / system limitations for complete and accurate customer, product and transaction information to make up the entitlement records and source of truth• Over-emphasis on product licensing over program licensing• Lack of ability to tighten the screw on IP protection based on segment / geography• Lack of licensing and entitlement data for BI across various business functions (e.g. Sales for Opportunity Mgt, Customer & Technical Care for support segmentation)• SKU complexity and proliferation• Rules-based pricing processes for effective monetization• No easy access to source of Entitlement truth – Including mechanism to sync up manual historic data mining with entitlements data, tracing entitlement history via orders/transactions, tracing support linked to a license, etc.• Inability to customers / partners and internal teams with a single online view of entitlements with varying levels based on user type

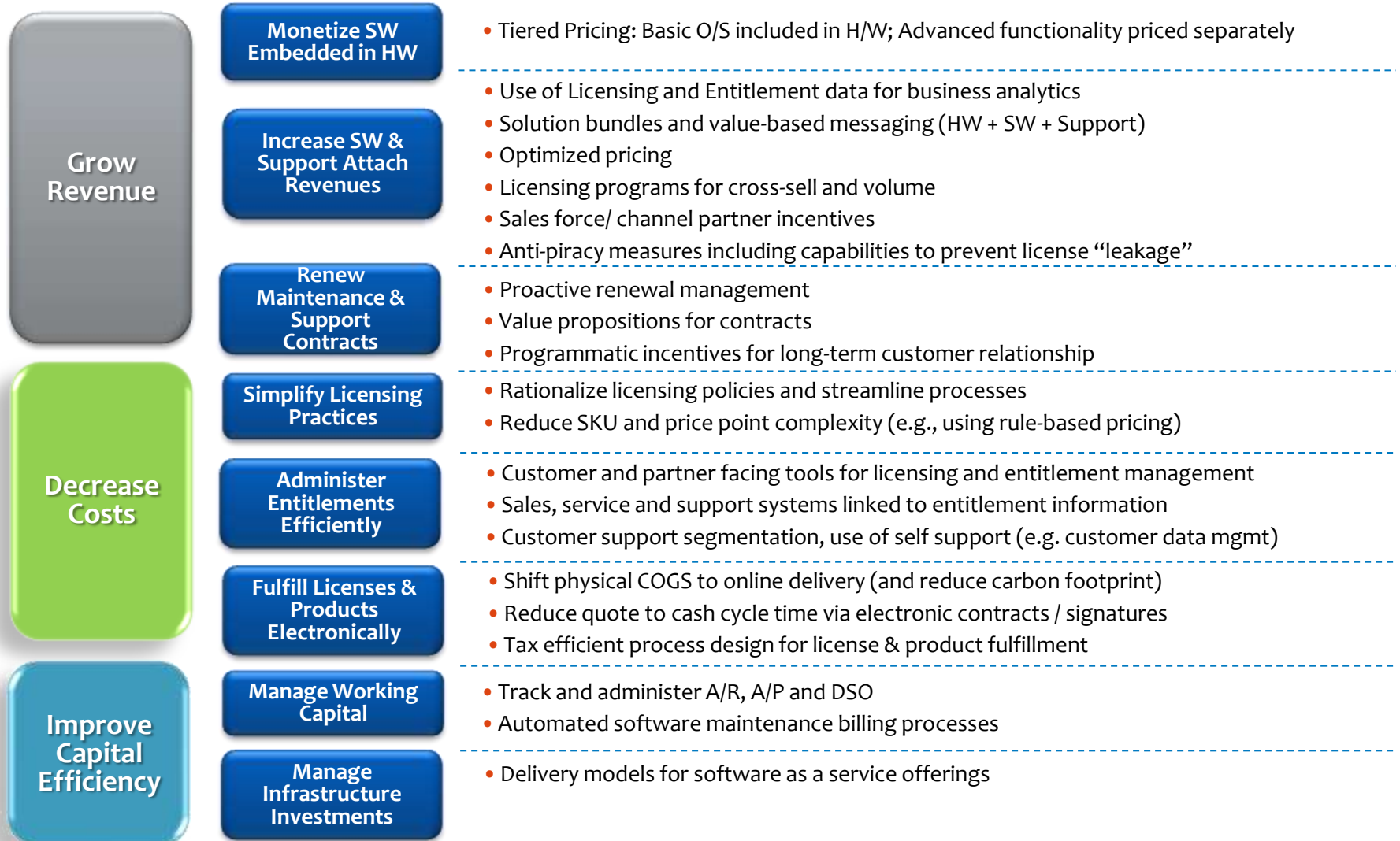
Source: Accenture Client Experiences

Not Exhaustive

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A business value lever-driven approach is recommended to address changing operating and license models.

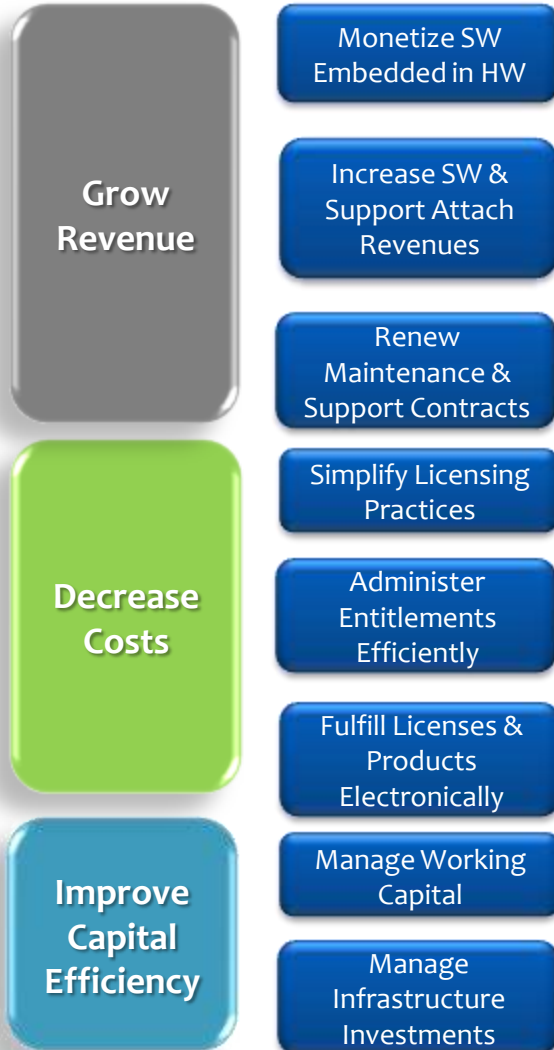


Source: Accenture Leading Practices

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An end-to-end licensing & entitlement management capability is required to support business value levers.

Business Value Levers



Licensing Management Capability Framework



Source: Accenture Leading Practices

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License models need to be evaluated based on customer segments and needs.

Solution Licensing Evaluation Framework

Illustrative

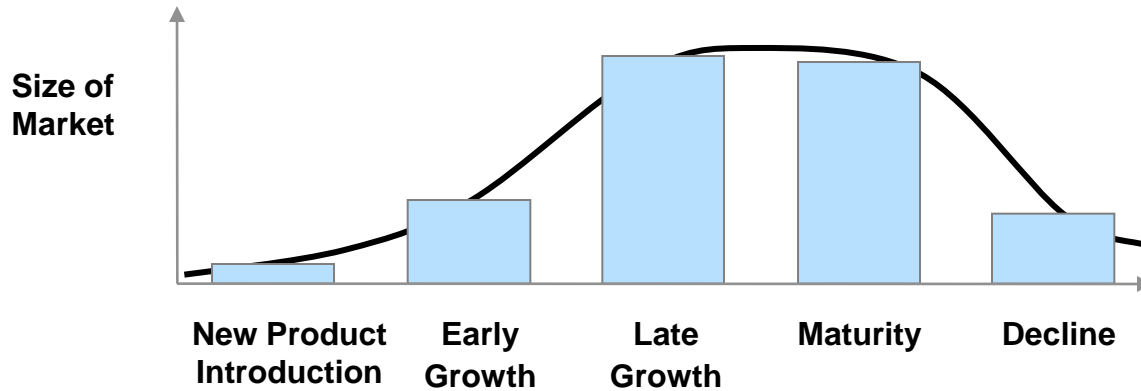
	Criteria	Key Question	Example Issues
Focus on Company	Customer Segmentation	Does it meet the needs of a particular customer segment? Are we able to address all segments with the model (logic)?	Perpetual licensing causes customers to buy peak load quantity of licenses which leaves many unused.
	Competitive Advantage / Differentiator	Does it provide a competitive advantage in the marketplace, not just a copy protection scheme?	Model need to be flexible and attractive enough for specific customer situations and all channels chosen (win-win game).
	Licensing & Pricing Flexibility	Does it enable differential licensing & pricing / marketing strategies based on customer segments and buying behaviour?	Model must allow differential pricing per customer, customer segment, and usage/penetration level. Model should allow different contractual options (leasing, rent, etc.)
	Operational Simplicity	Is it simple and inexpensive to process, manage, and track?	Processing, managing and tracking of licensing agreements has to be easy and supported by automated track recording (often technical issues)
	Ease of Use	Is it simple to use and administer by the customer?	Simple enough for sales or a user to be explained & understood in a few minutes.
Focus on Customers	Cost Predictability	Does it facilitate predictable and controllable customer costs?	Capacity and value based licensing & pricing models may be impacted with changing CPU speed or revenue whether the value created by the software has changed or not (e.g. Oracle's licensing concept).
	Usage Measurability	Is the licensing & pricing metric measurable by the vendor and the customer?	Hard or impossible to measure metrics make license compliance hard or impossible to enforce, prove, or audit.
	Fair Value for Price	Can the customer measure or have a basis to decide that they are receiving a fair value for the price they pay, upfront and on an ongoing basis?	If usage of software leads directly to measurable increases in ROI, productivity or cost efficiency, then value based pricing may be an effective approach.

Source: Accenture Leading Practices

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Optimal licensing & entitlement models & strategies need to vary based on the solution lifecycle phase.

Solution Lifecycle Evolution



Key Business Needs

- Track expanding **license base** (active, purchased and expired) to identify sales opportunities
- Increase **support “attach rate”** to drive top line growth
- Manage high-margin **support operations**

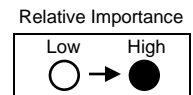
Solution License as % of Total Revenue



High Level Service/Support Strategy

"Give Away" to Promote Uptake	Loose Controls - High Focus on Customer Satisfaction	Shift to Emphasize Service Growth & Segmentation	Focus on Market Segmentation, License Management and Profitable Services Operations	High Focus on Cost Management to Optimize Service Profitability
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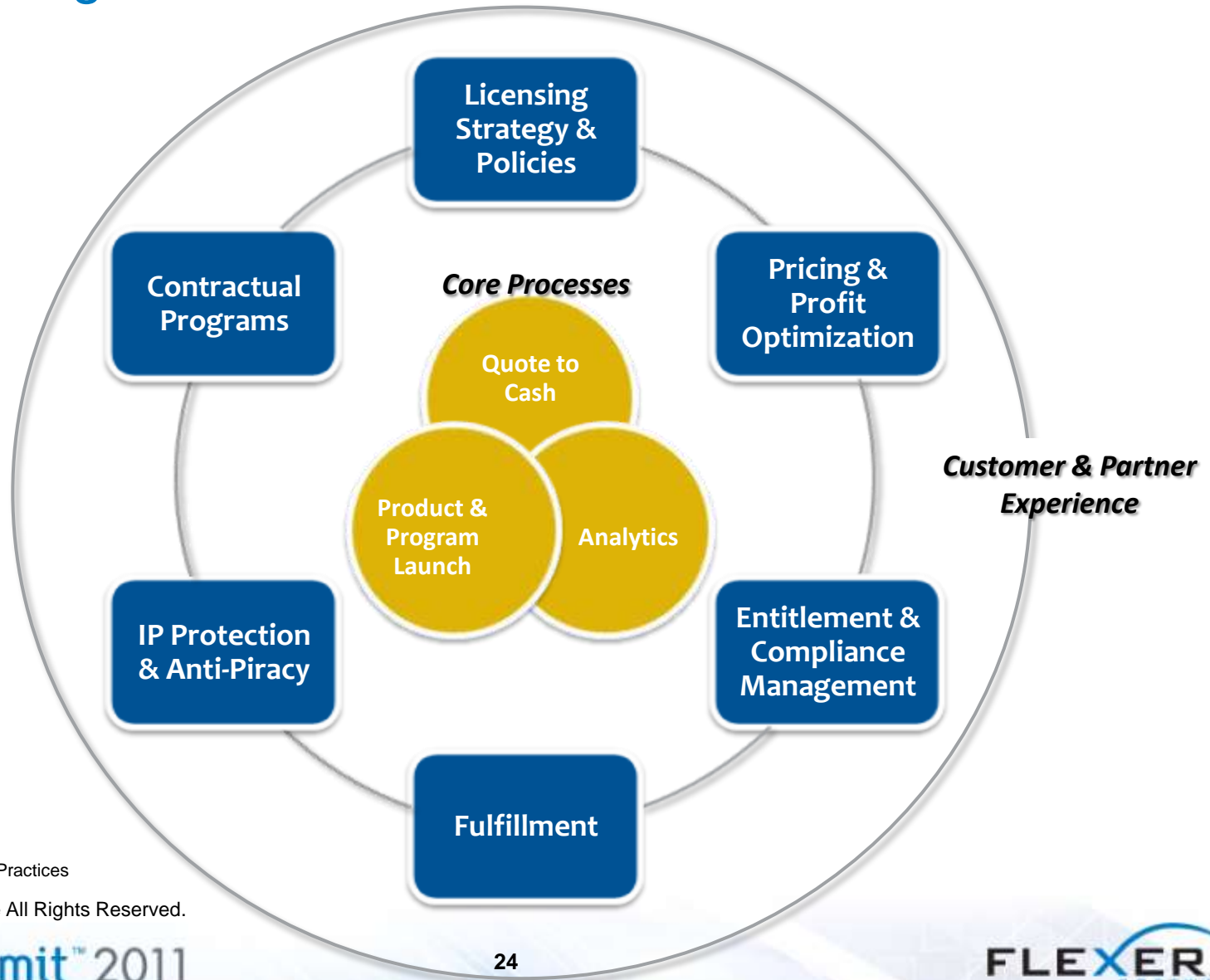
Value of Entitlement Management Capability



Source: Accenture Leading Practices

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End-to-end, comprehensive licensing & entitlement capabilities across the entire operating model & value-chain, along with.....

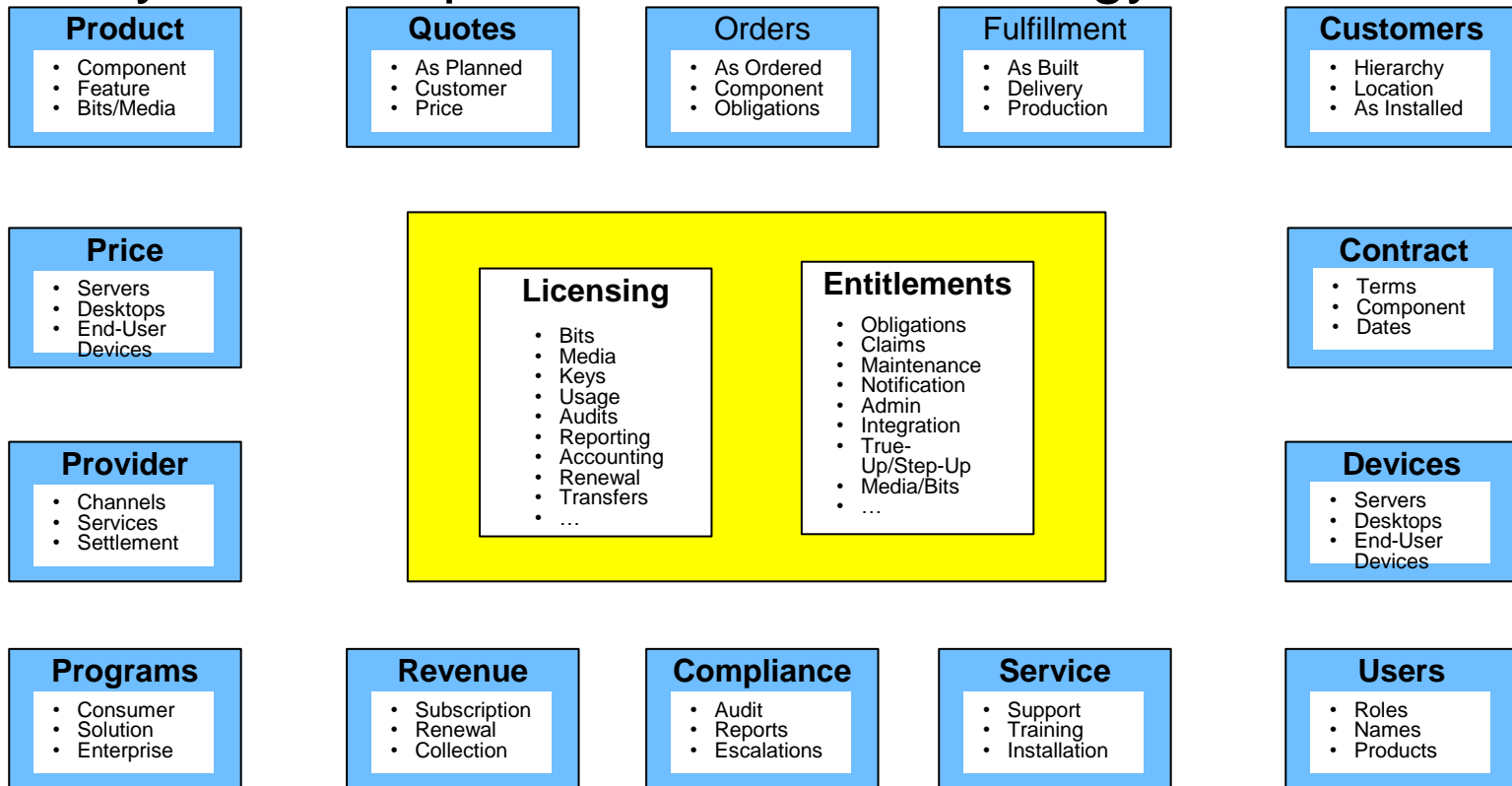


Source: Accenture Leading Practices

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.... a strong information/data foundation, enable operational success.....

- Licensing and entitlement information management needs* are exploding as a result of transformational changes in the industry and disruptive forces of technology



• * Representative Subject Area Model to manage license and entitlement information for an enterprise

Source: Accenture Leading Practices

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...to get from Basic to Leading licensing and entitlement management....

Basic

Minimal automation of business processes
Lack of policies, procedures, resources, & tools
Lack of solution based licensing across products and services
Limited knowledge of customers compliance
Limited ability to recover lost licensing revenue



Advanced

Some automation of critical licensing processes
Standardized contractual terms and contract to cash processes
Solution based Licensing offerings
Customers have access to entitlement reporting and self-service capabilities
Knowledge of whether customers are in compliance
Ability to audit and recover under payment for licenses.



Leading

High automation of licensing processes
Online contracting capabilities
Solution focused licensing programs
Ability to license on premise, perpetual, usage and service based (SAAS or Cloud) offerings
Online entitlement reports to customers with ability to reconcile SW use and licensing entitlements
Factual information of install base and whether customers are in compliance
Systematic tools that discover and report installed copies / usage of software products
SW vendor and customers are in control of the SW assets and can optimize investment

Source: Accenture Leading Practices

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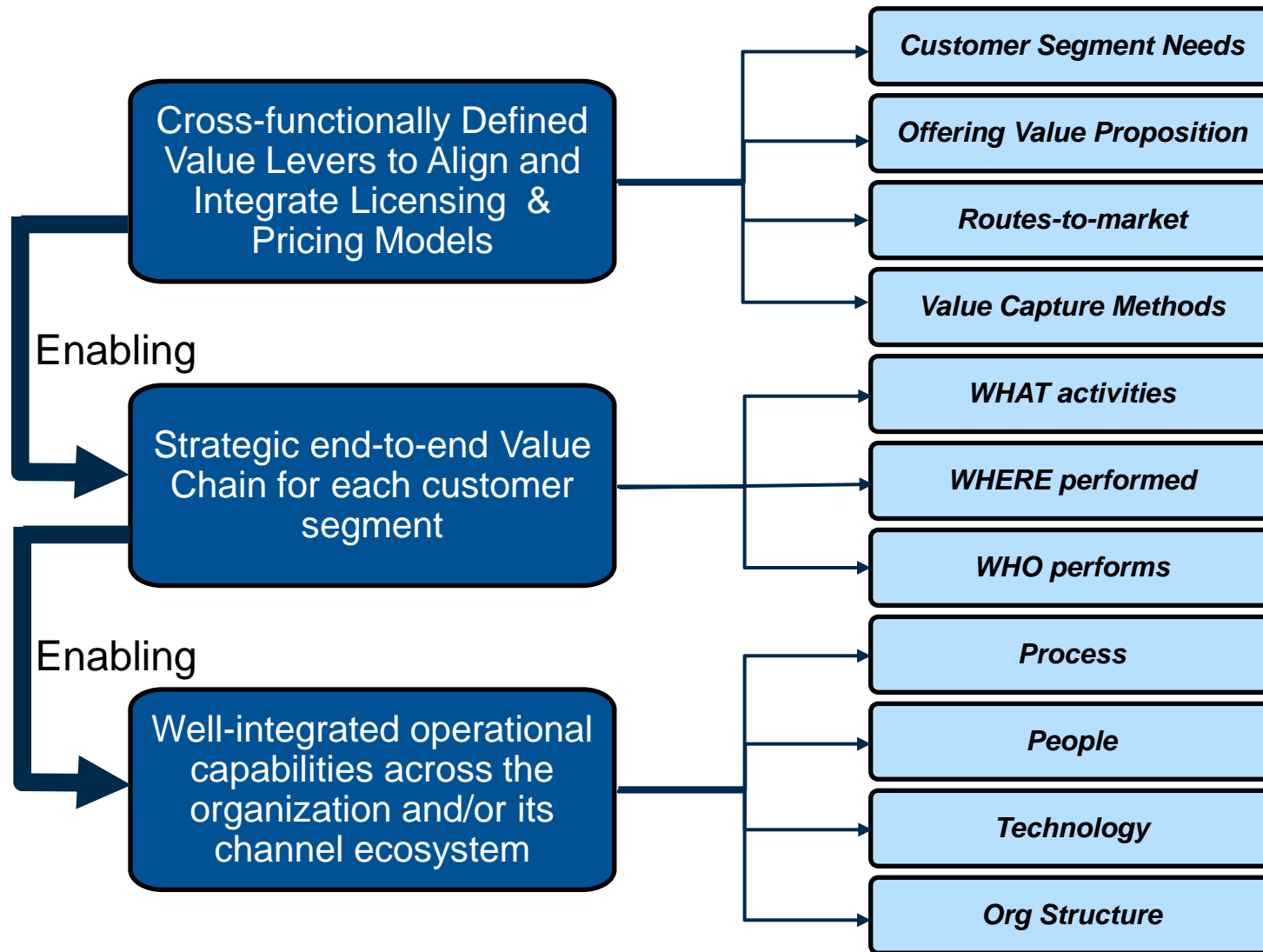
Summary

Disruptive technology-based trends are impacting practically every industry sector. Companies are transforming their business & operating models in response to these trends.

The resulting offering (product, service, bundles) innovations & value propositions are driving proliferation & complexity across licensing & pricing models too.

Successful monetization requires enhanced & well-integrated licensing & pricing capabilities (cross-functional, strategic & operational; across the entire value-chain) to prevent revenue leakage, rising operational costs and decreasing customer / partner satisfaction.

Summary



Thank You

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