SoftSummit™ 2011

Software Pricing and Licensing Survey Results and 2012 Predictions

Amy Konary
Research VP
Software Licensing and Provisioning
IDC

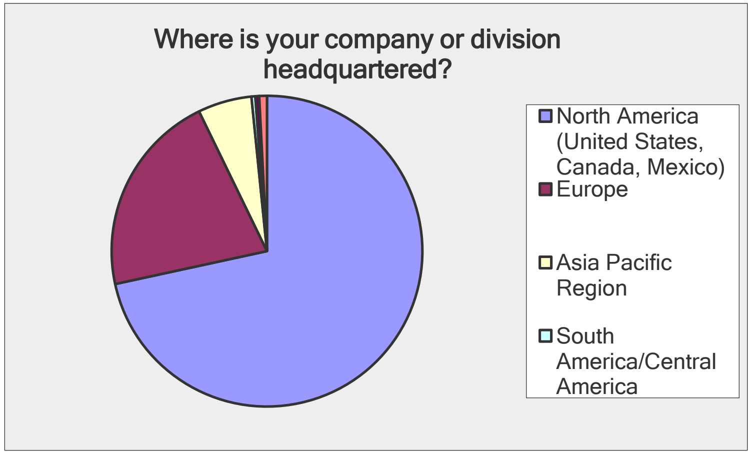
IDC Analyze the Future

FLEXERA SOFTWARE

The Survey

ISVs and Intelligent Device Manufacturers

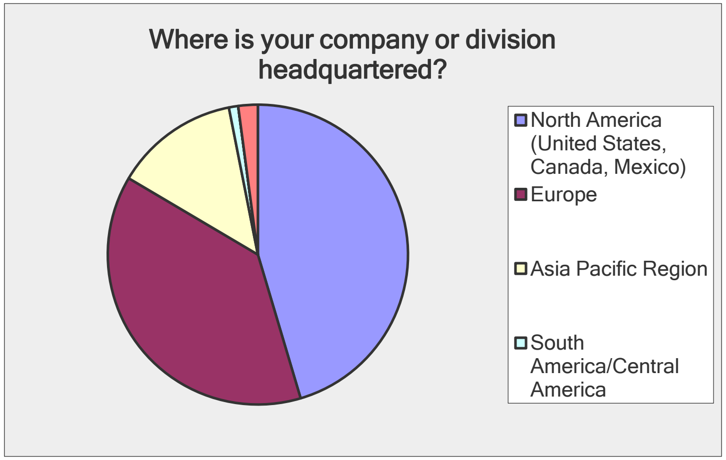
- Sample Size = 205



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

Enterprises

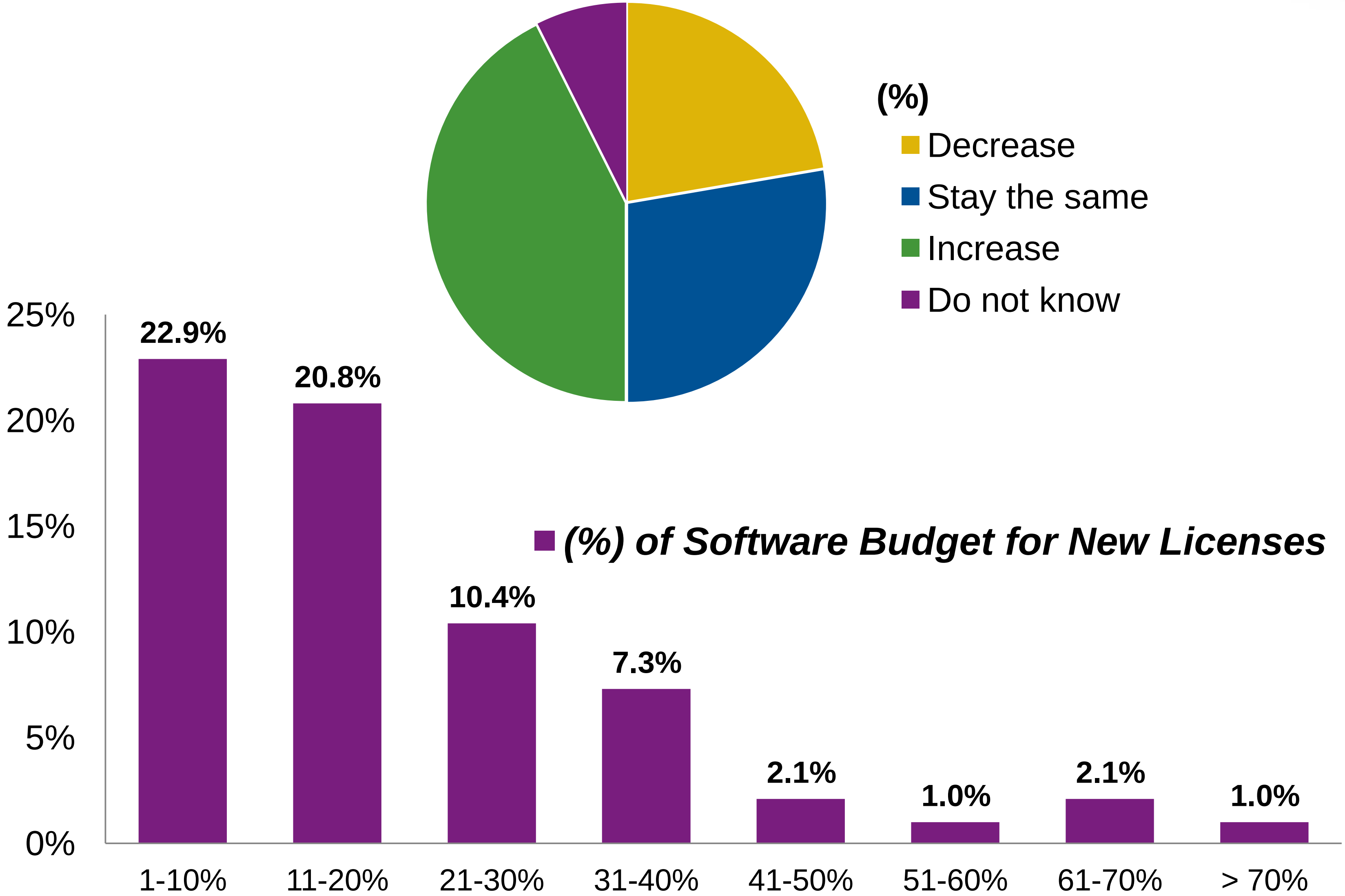
- Sample Size = 97



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

The Survey- Enterprise Spending Profile

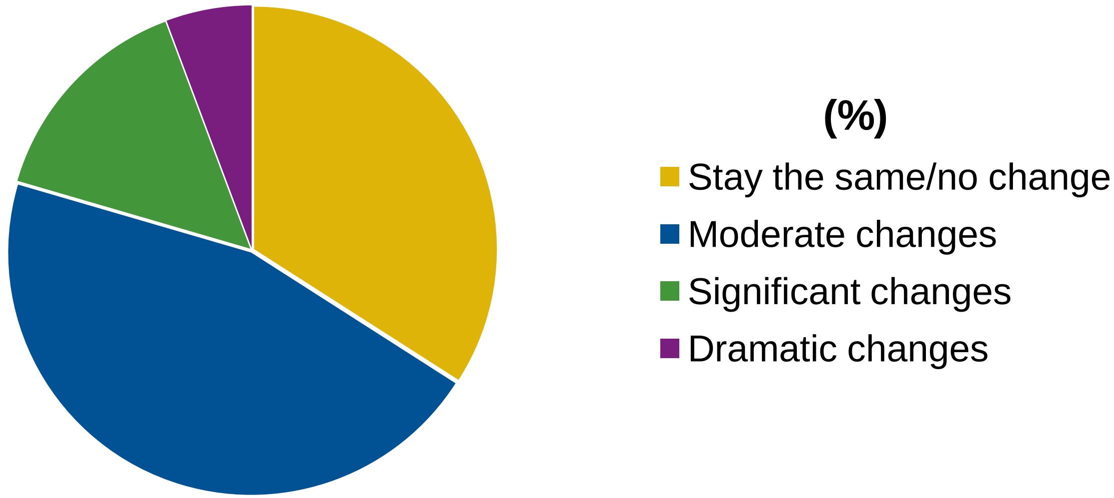
Q: Looking forward two years, will your software budget...

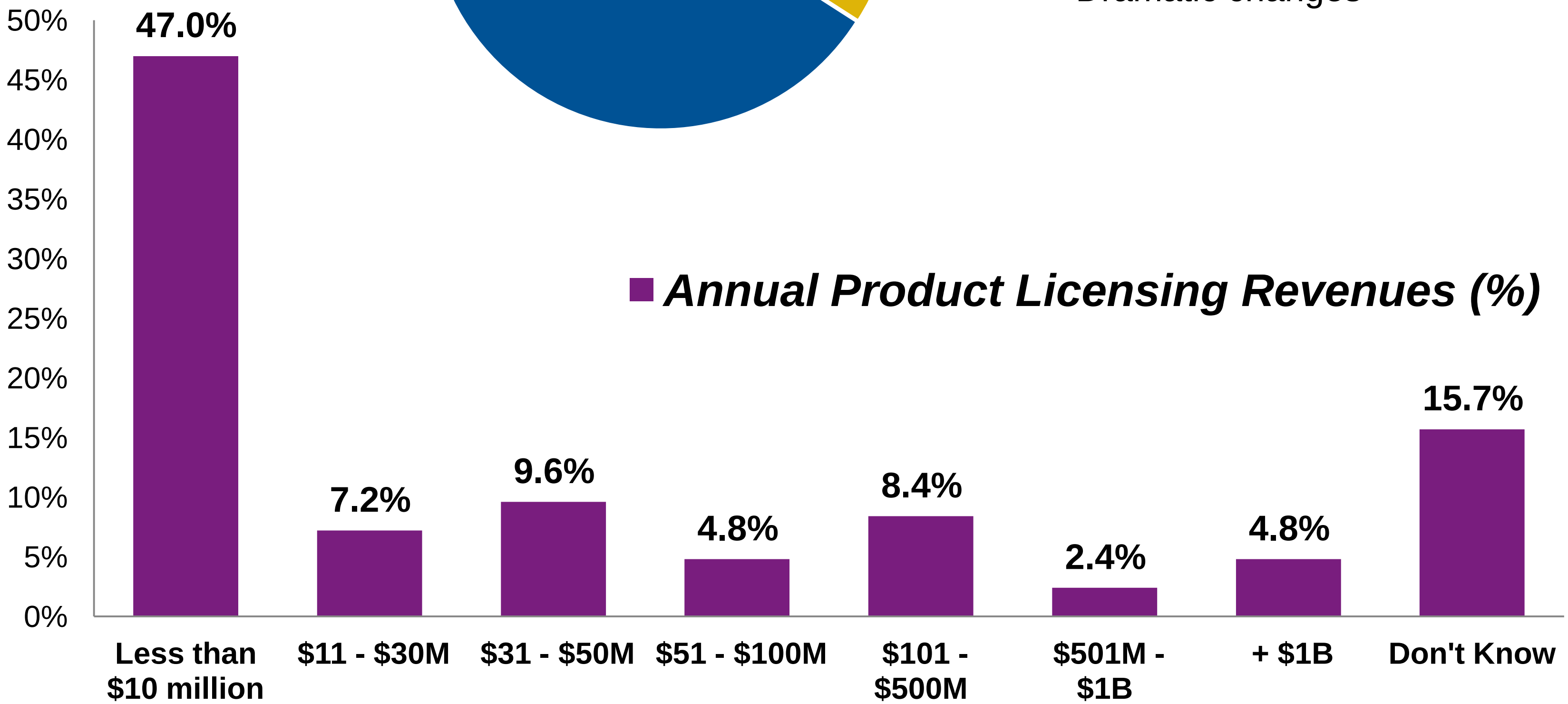


Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

The Survey- ISV Licensing Revenue Profile

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

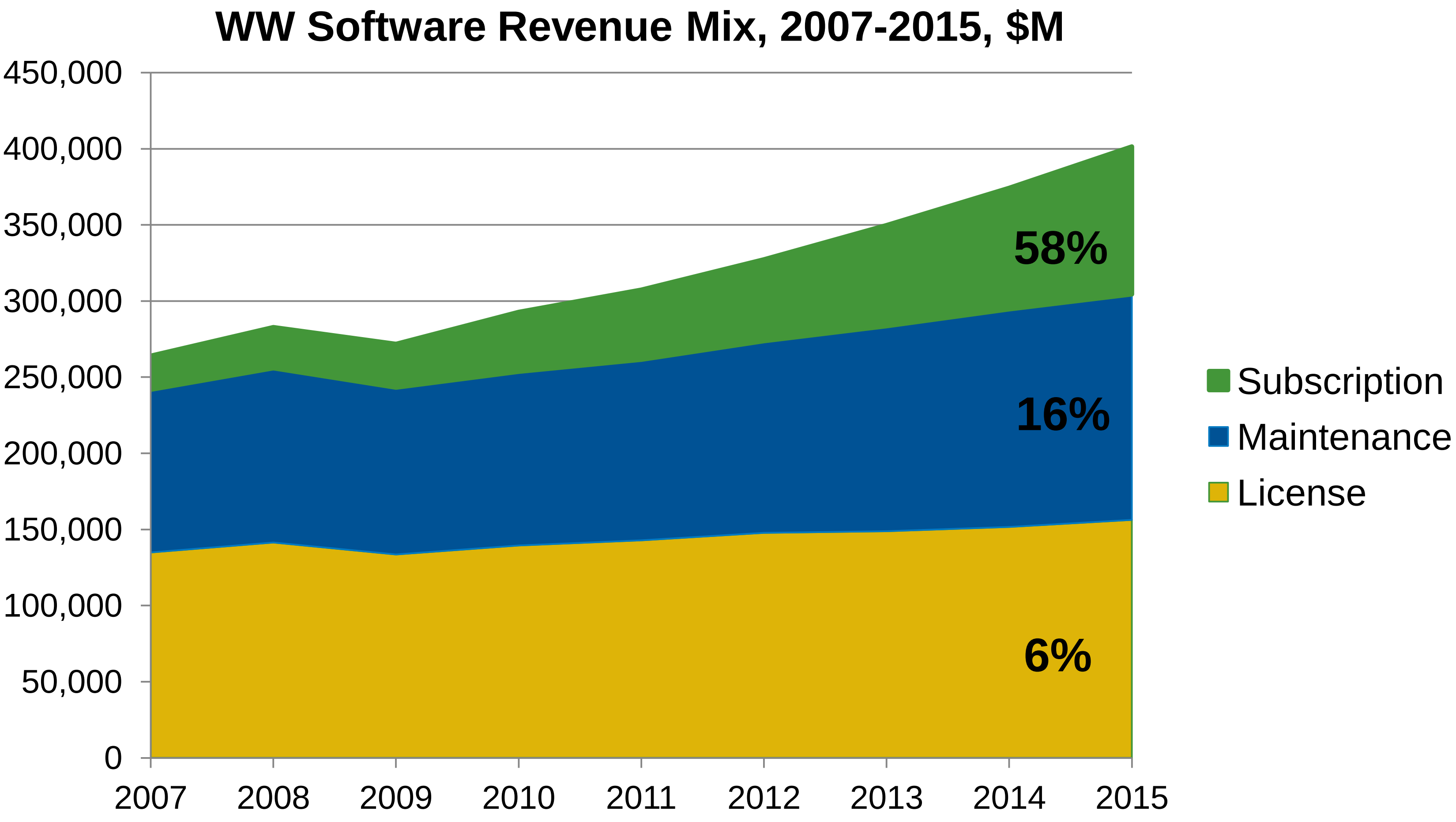




Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

Software Industry Megatrends

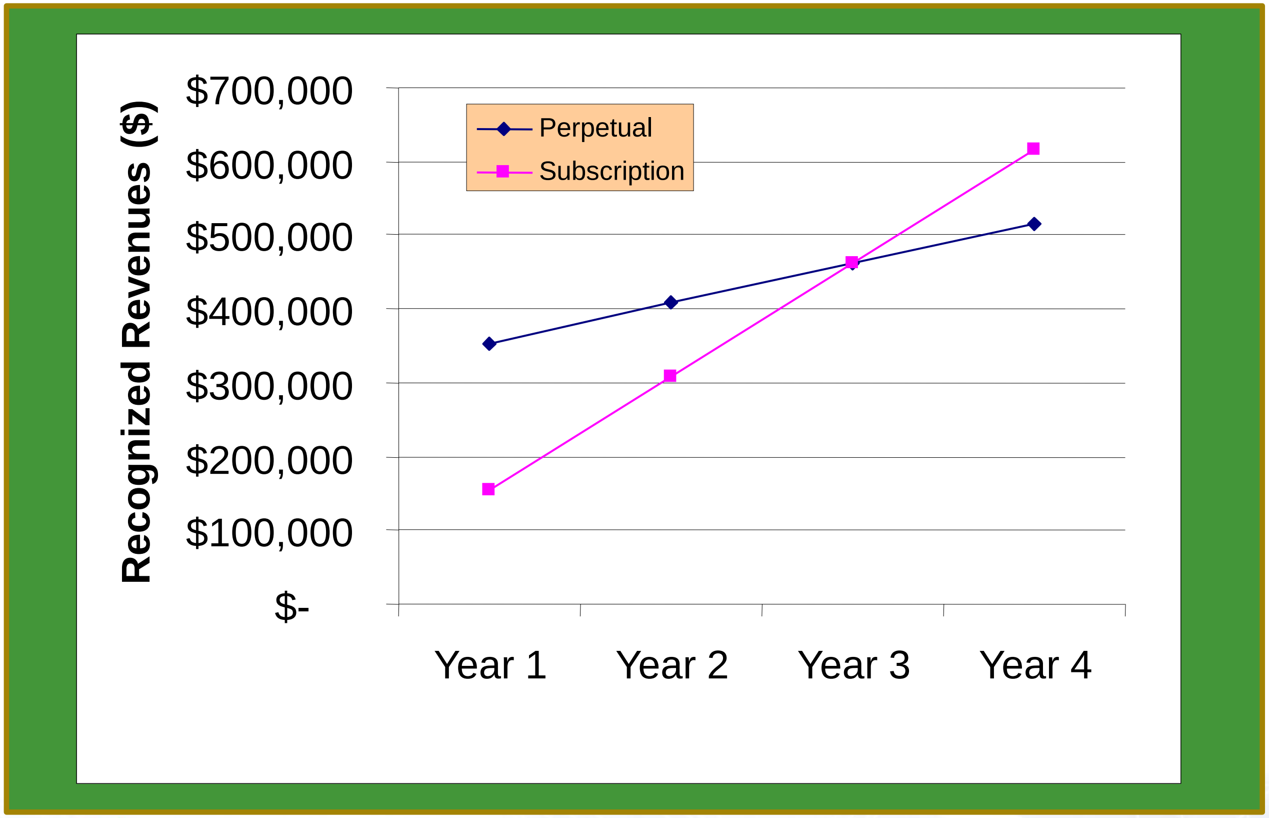
1. Shift from Perpetual to Subscription



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

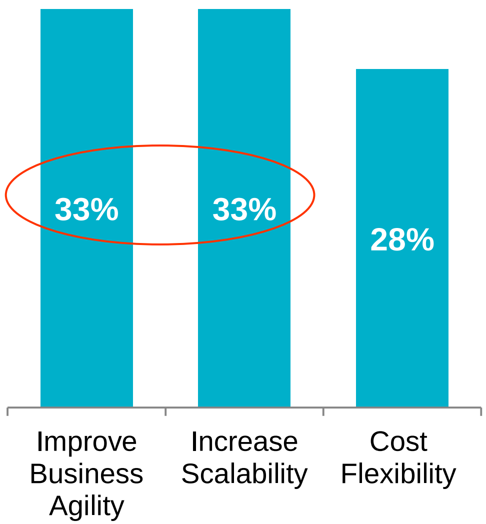
70%
of NA companies currently using public cloud

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%**



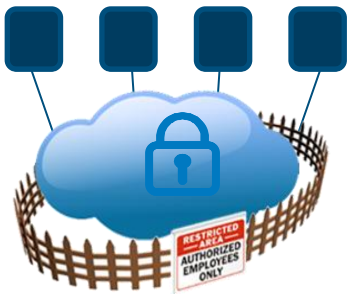
82% of net new commercial apps will be developed for cloud in 2012

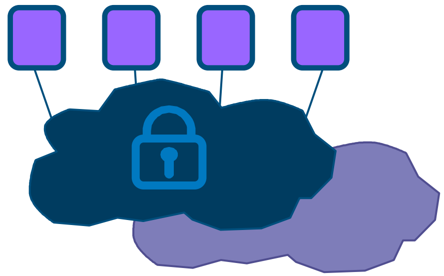
30%+ of 2014 spending on enterprise apps will be via the cloud model

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

Source: IDC NA Cloud Computing Survey, January 2011 n=603, and IDC #228845 (June 2011)

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

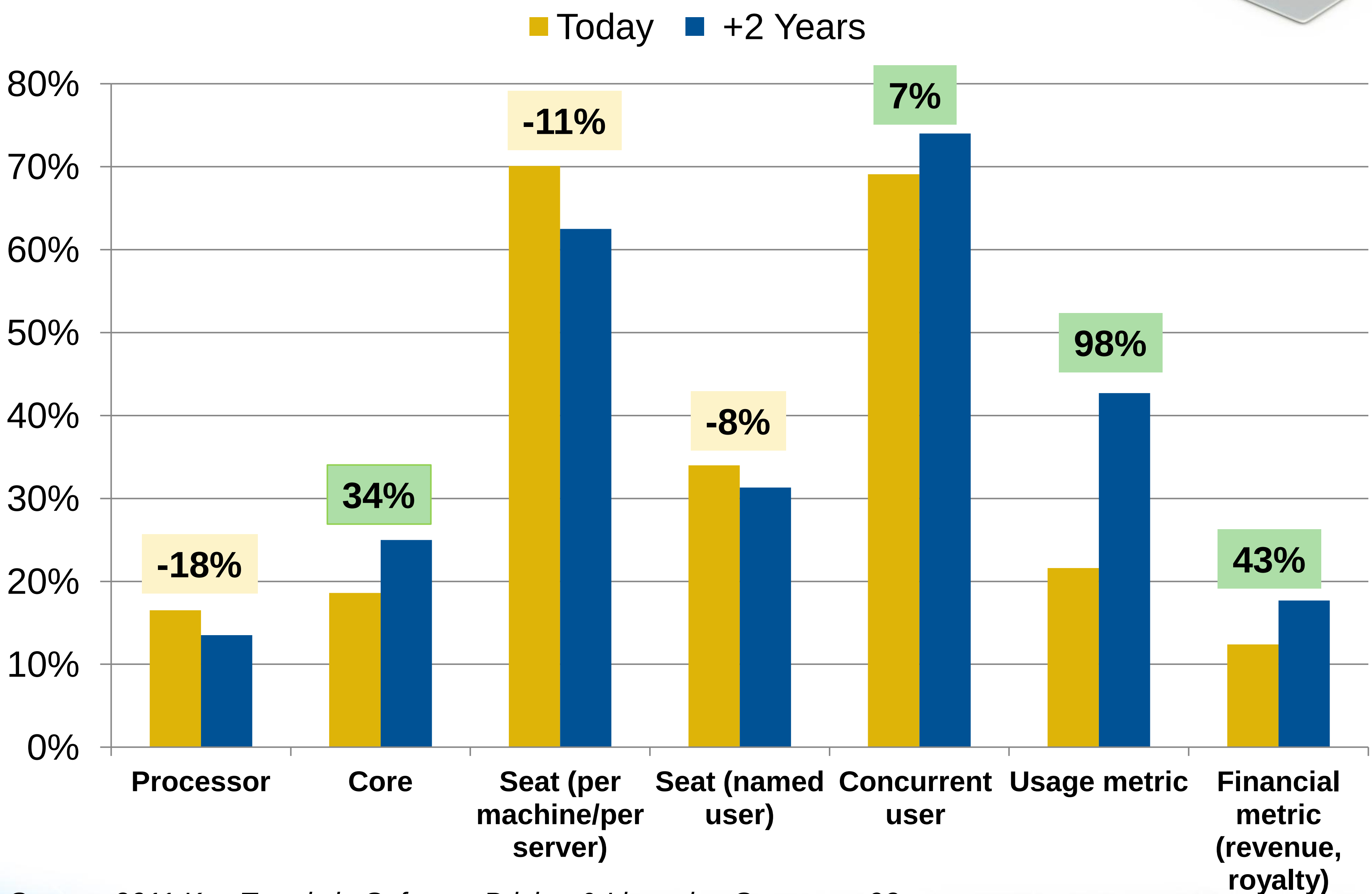
- Enterprise's cloud services portfolio includes **both private and public cloud services**
- Some specific services are delivered in a combination of public and private models (e.g., private cloud "bursting to" a public cloud service)

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

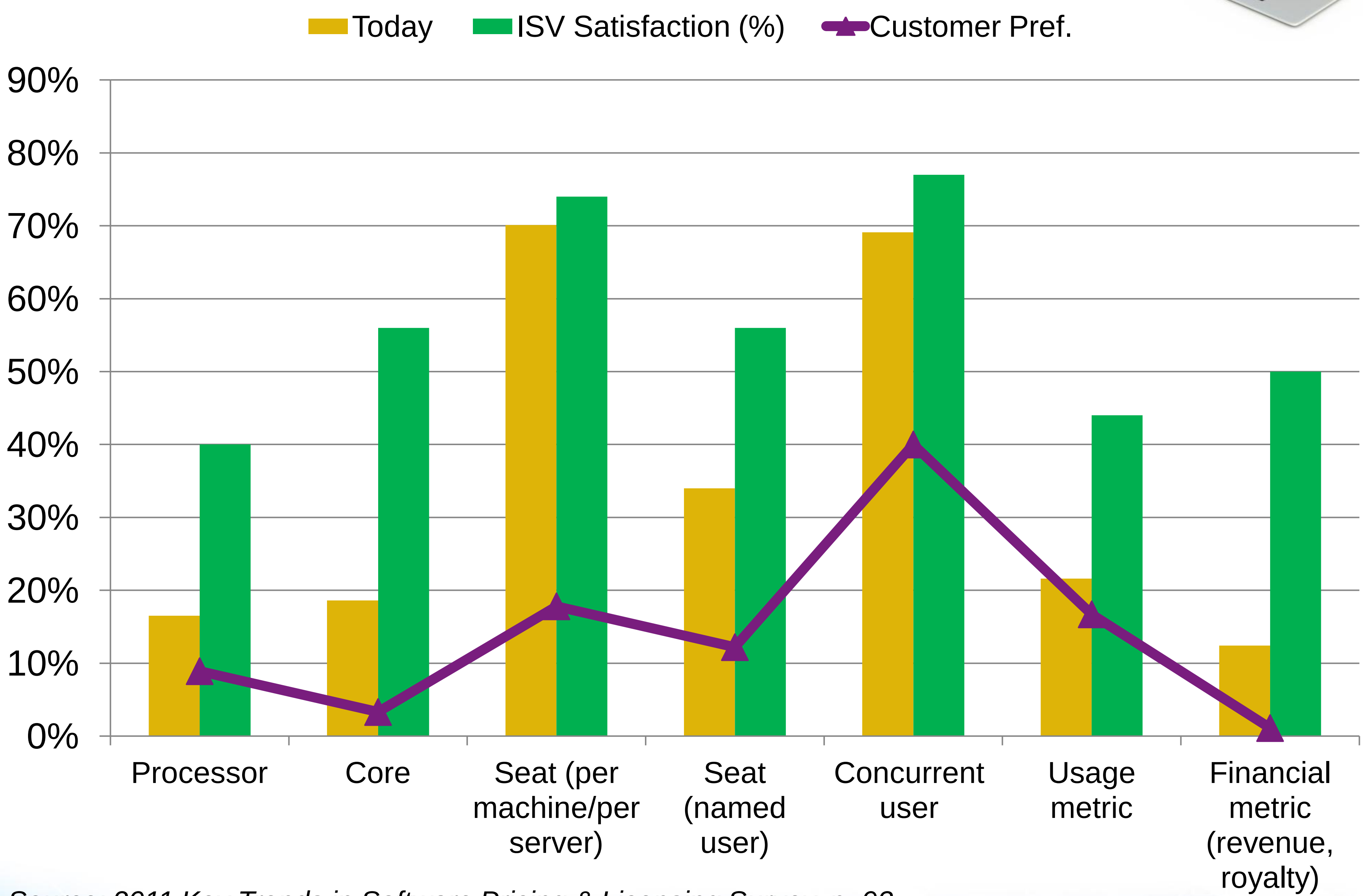
	Private	Hybrid	Public
Resource Isolation	Single enterprise/ extended enterprise (dedicated)	Virtual and physical (non-cloud) resources and applications	Multiple unrelated enterprises (shared)

ISV- Metrics



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

Metrics, Satisfaction, Customer Preference



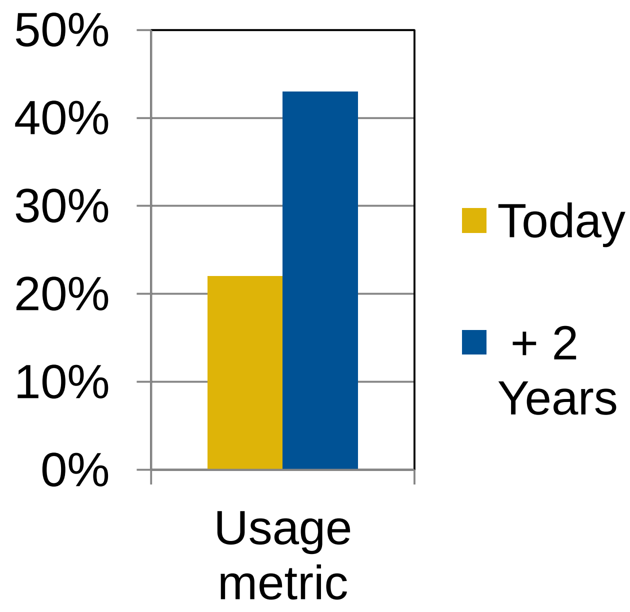
Source: 2011 Key Trends in Software Pricing & Licensing Survey, n=93

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

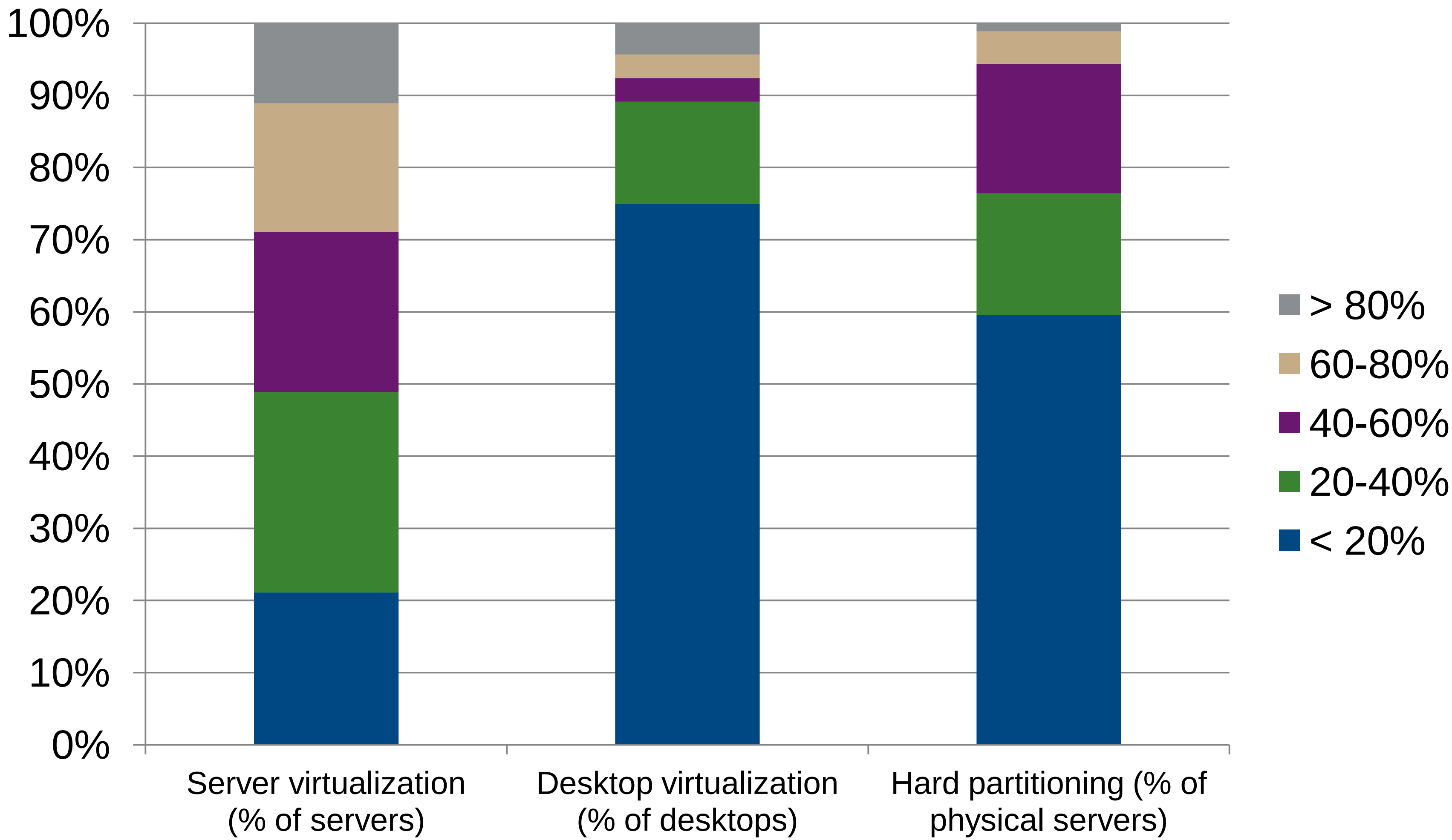
3. It's a Virtual, Multicore World

- 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

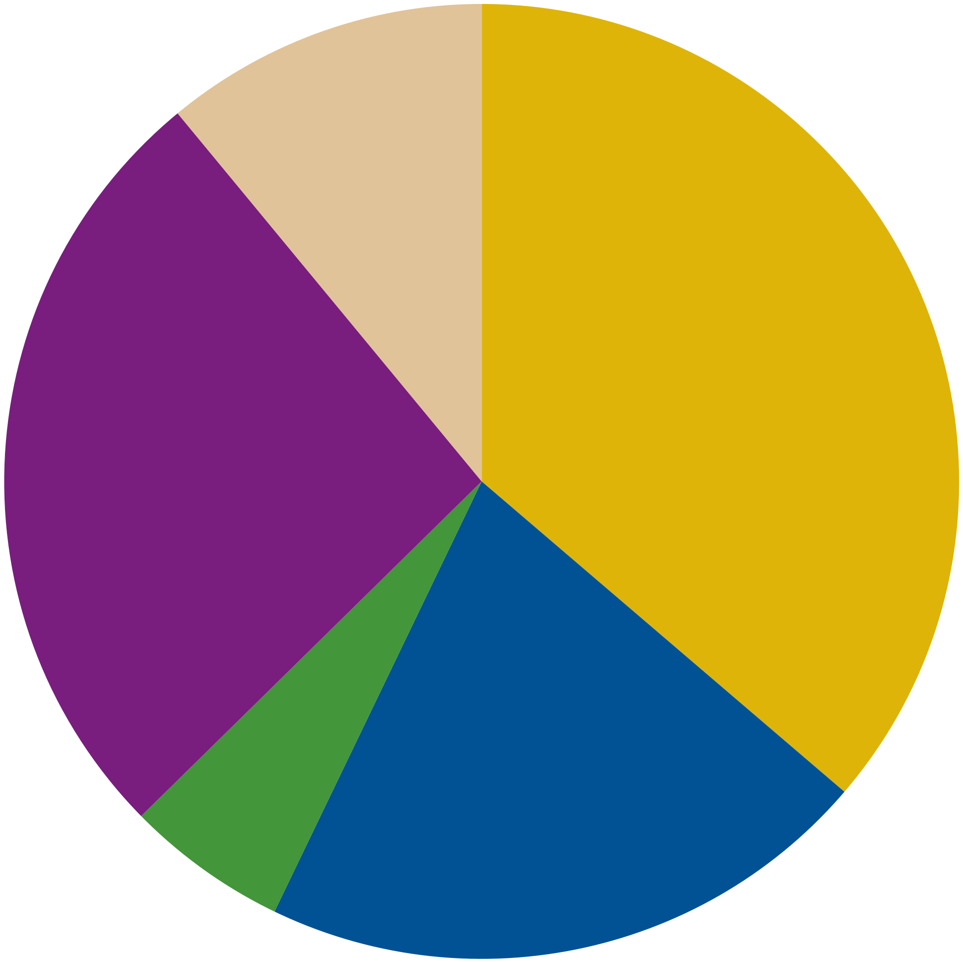
Q: Which virtualization technologies has your organization adopted?



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?

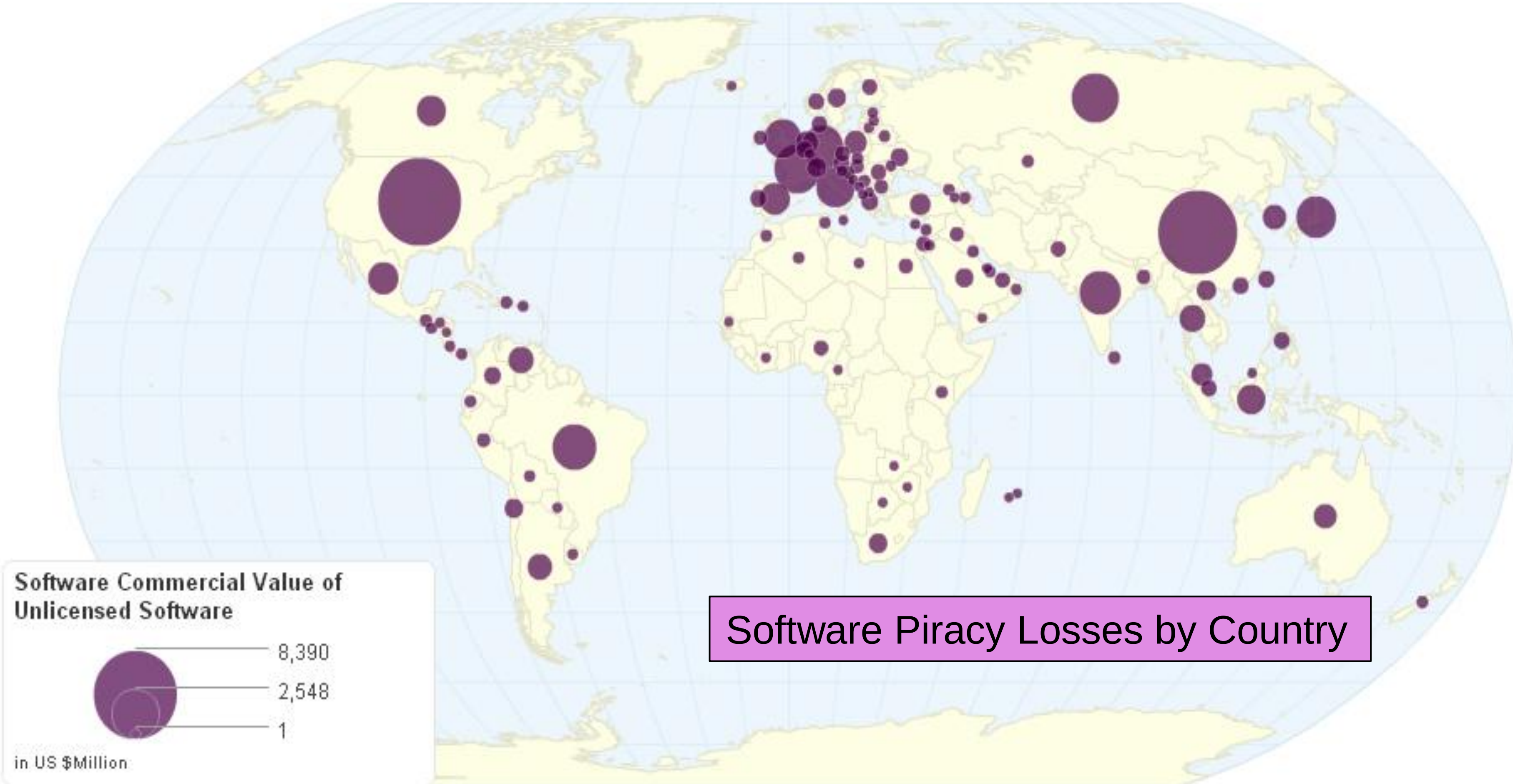


- Automated commercial license management software
- Software provided by the (virtualization) vendor
- Automated homegrown software
- Manual methods, including spreadsheets
- We don't manage software licenses in our virtual environments

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

Software Industry Megatrend

4. Focus on Software License Compliance



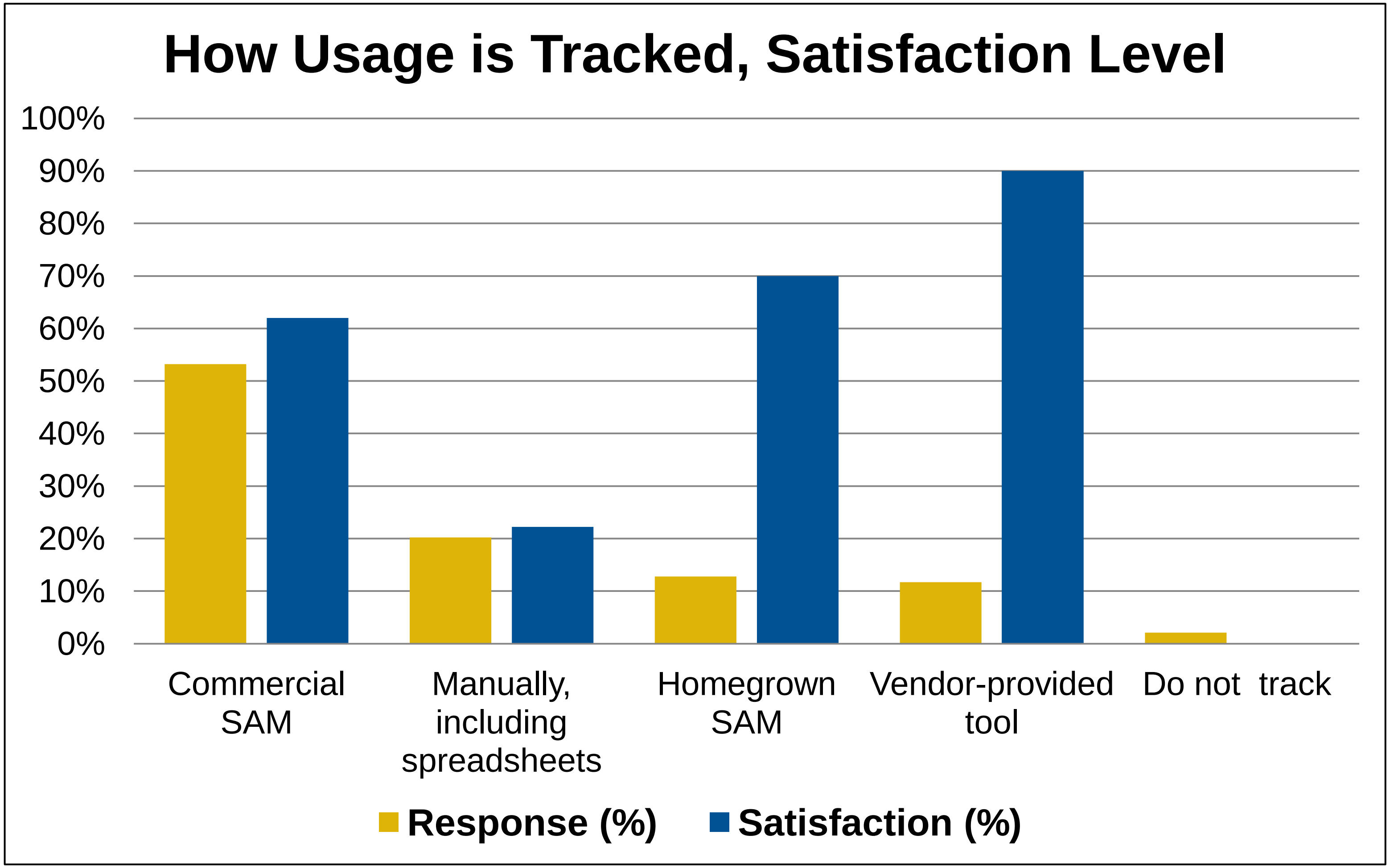
Source: IDC/BSA Study, 2011

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

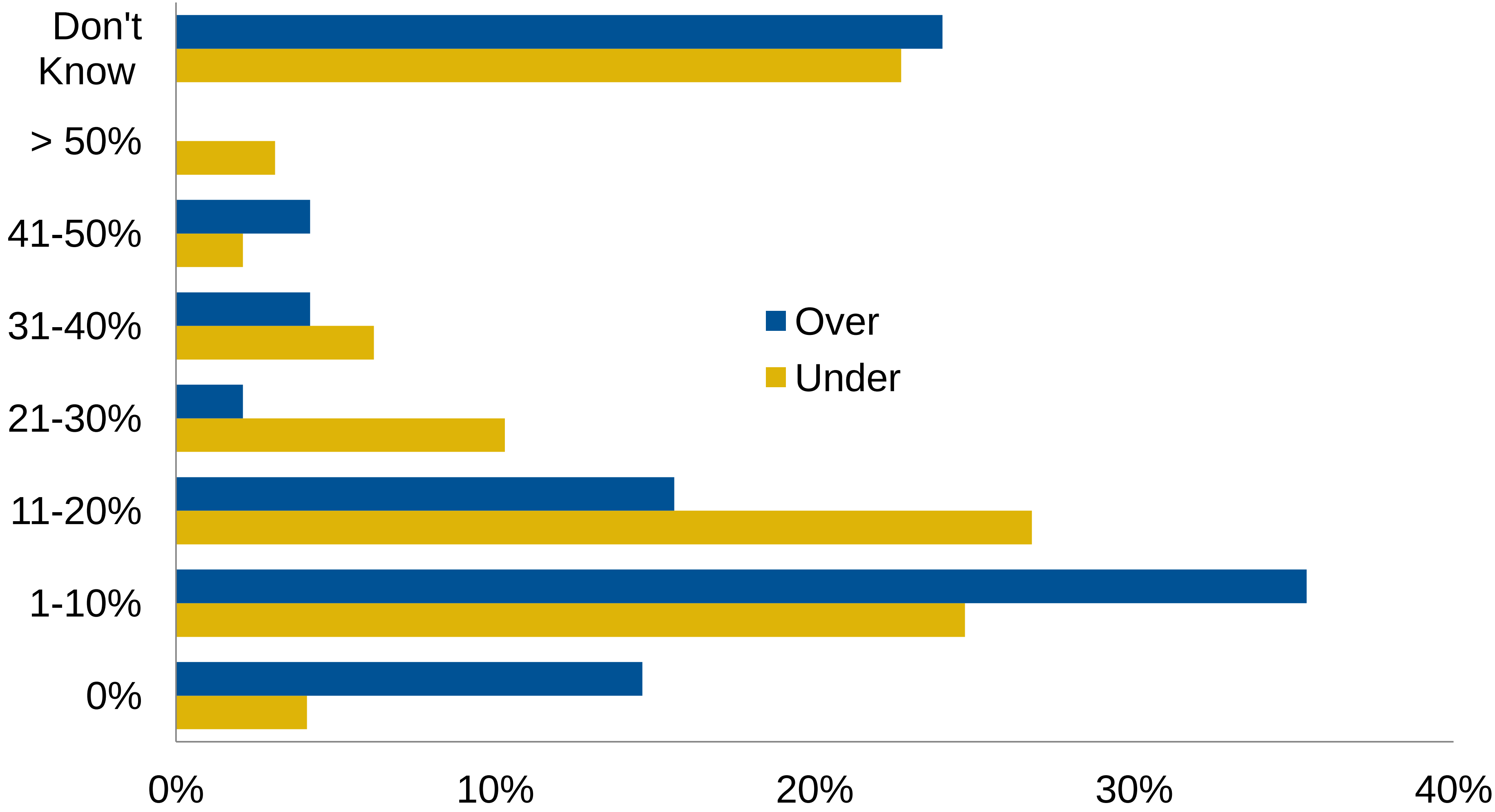
- Most customers track usage for compliance purposes, but 31% are tracking primarily to reduce shelf-ware



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

ENT- Over/Under

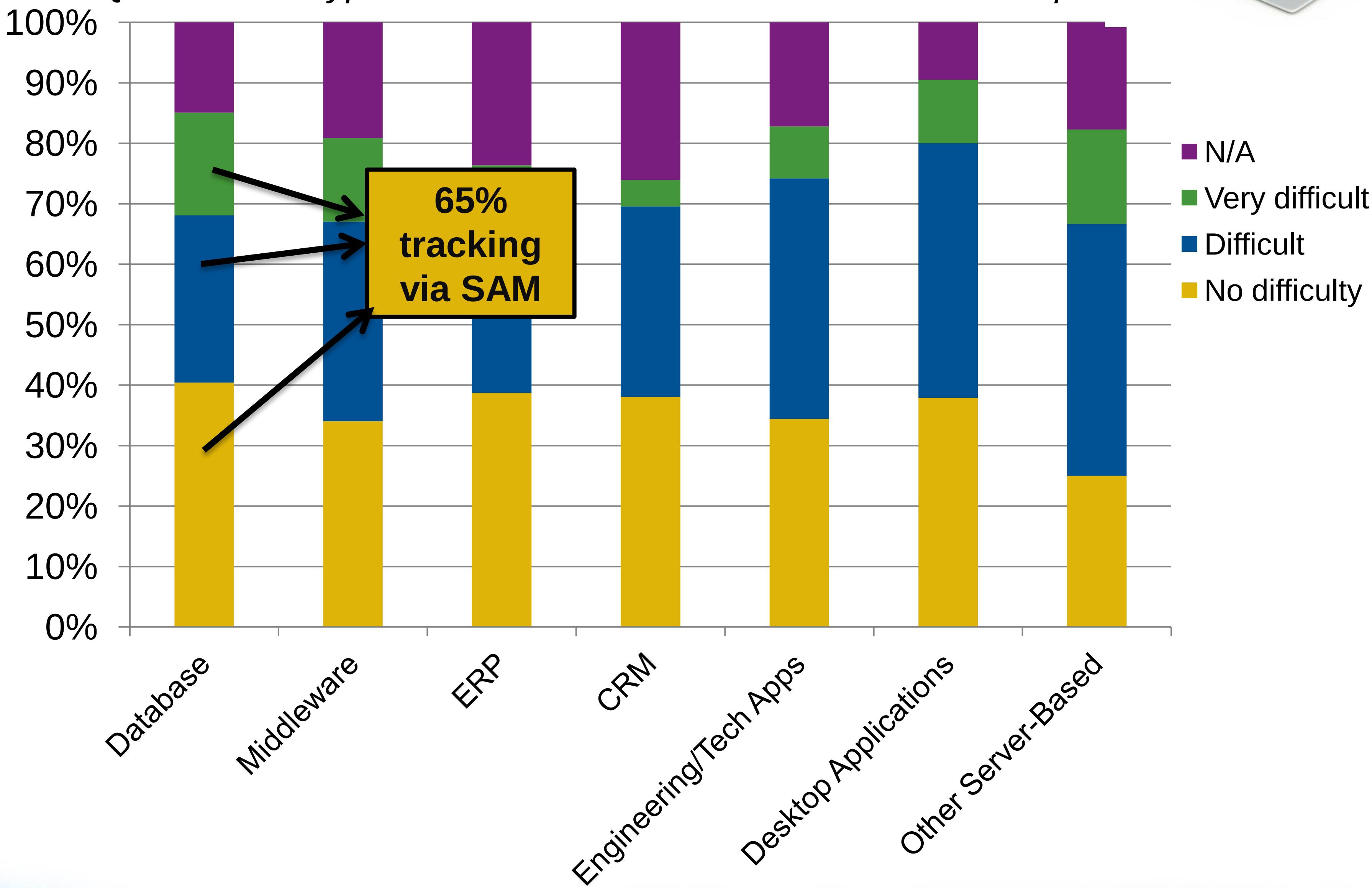
Q: What % of software license spend within your organization do you estimate is associated with applications that are:



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

Enterprises- Compliance Challenges

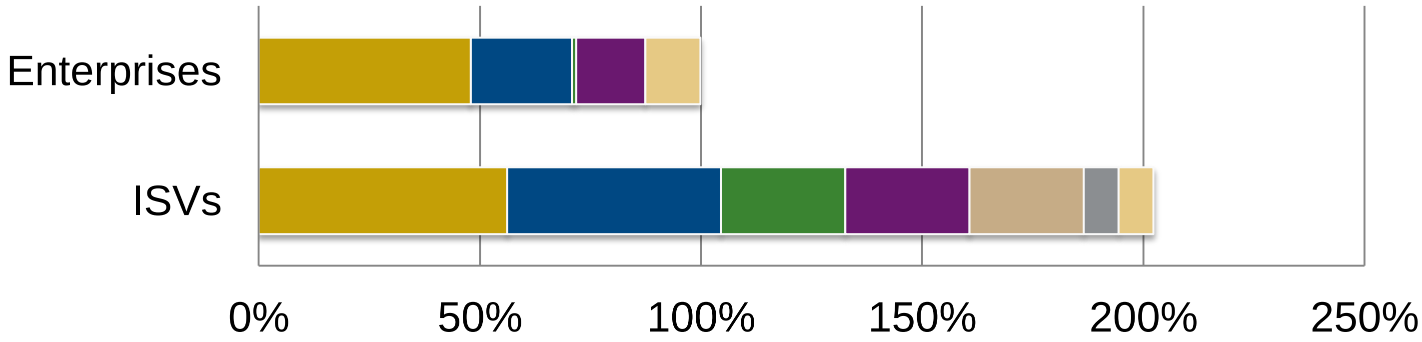
Q: For which types of software is it difficult to maintain compliance?



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%
Product activation	48.3%	22.9%
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%

+48%
+54%

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

IDC
Analyze the Future

Amy Konary

Research VP, Worldwide Sofftware Licensing and Provisioning Research

IDC

www.idc.com

1-617-202-9339

akonary@idc.com

Twitter: @mizkonary