

## ECM Trends and 2012 vision

October 25, 2011

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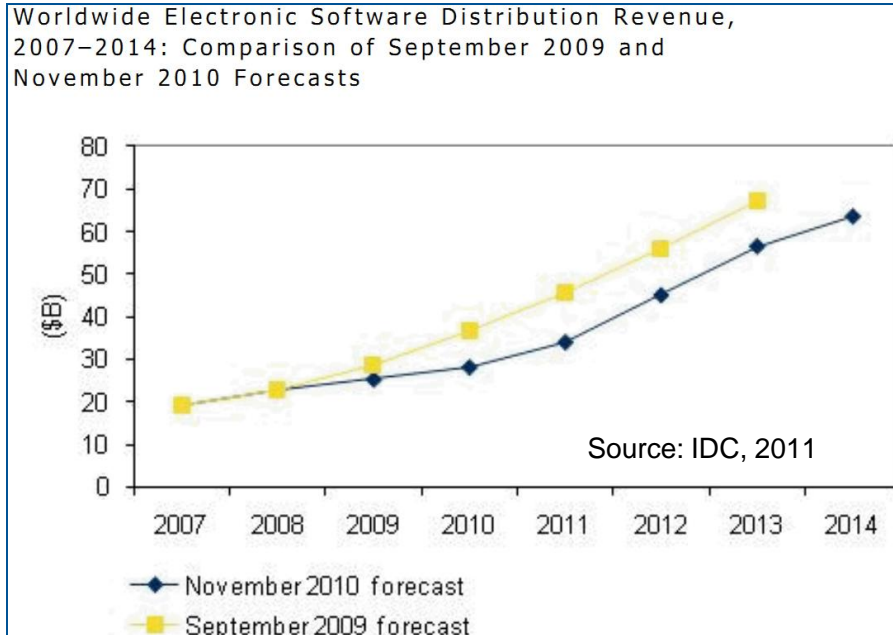
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# Topics

- Trends in the market place
  - ESD – some observations
  - In-product activation
  - Licensing of software/hardware
  - Virtualization use increasing (threat and opportunity)
  - Cloud strategies
  - Usage-based & compliance-only approaches
- Commercial break
  - Flexera addresses trends

# ESD (electronic software delivery) growth



Value of software delivered electronically is expected to grow 32% in 2012 v. 2011.

Drivers include:

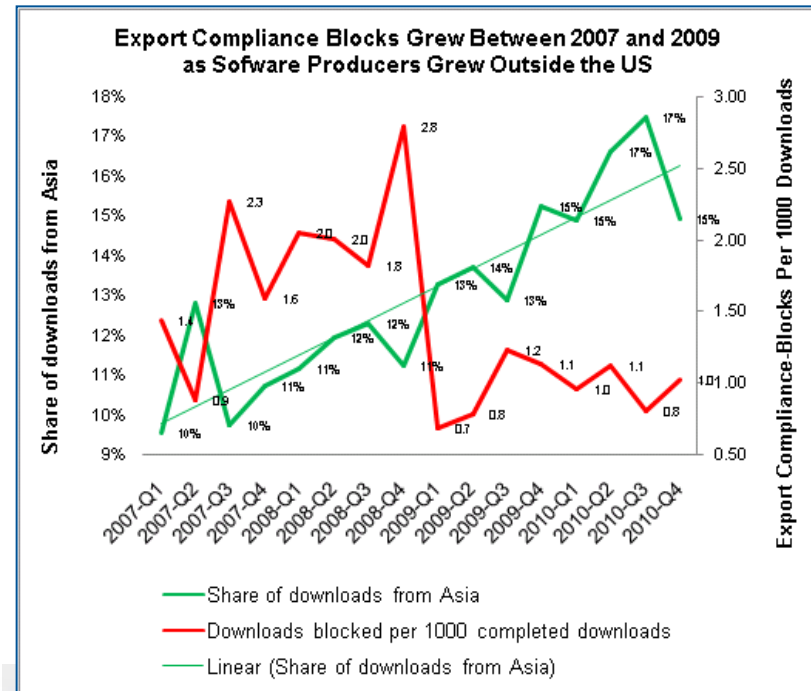
- Easy ROI replacing physical shipments
- Customer self-service expectation

# ESD observations

- Downloads are increasing in size – requiring more than FTP

Year	Average download size in megs
2007	146
2008	220
2009	312
2010	485

- Export compliance denials are more frequent than expected. Our own data shows between 2.8 to 1 out of 1000 downloads in last year



# Trend: In-product activation- making it easier for end customers

***“Product activation is getting widespread acceptance. Over the past few years, a growing number of leading software companies such as Adobe, Autodesk, Bentley Systems, Microsoft, Network Associates and Symantec have added product activation to their products in an effort to protect the spirit of innovation and intellectual property that is at the heart of the software industry.”\****

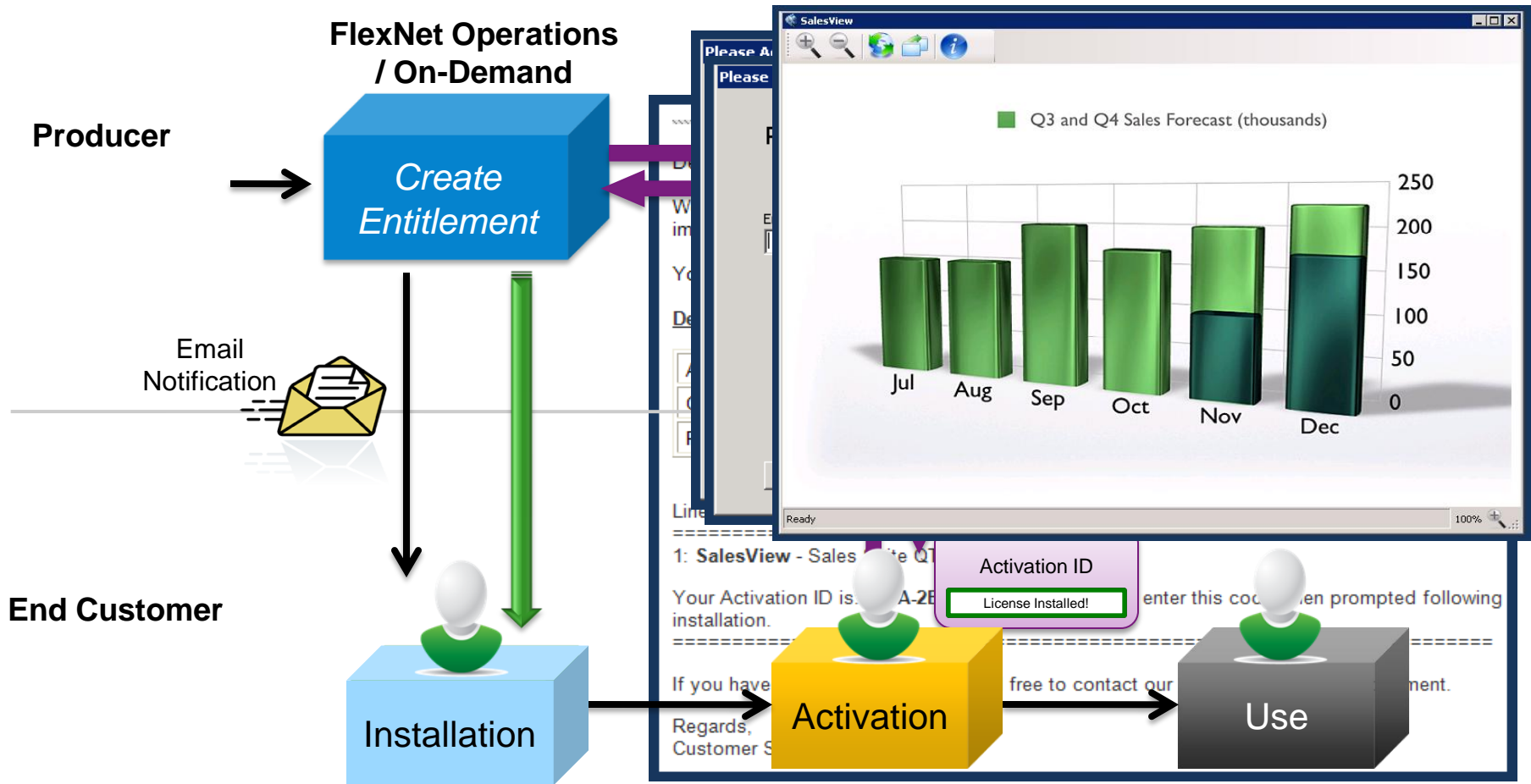
**46% of NEW FlexNet Operations customers used product activation in 2009  
35% of Publishers use internet activation in 2010 vs. 27% in 2009**

\*Source: Best Practices for Product Activation, Business Software Alliance

# Trusted Storage and In-product activation overview

- Trusted Storage value proposition:
  - Streamline and improve end user license handling experience
    - Modern design based on market trend and customer feedback
    - Paradigm shift for handling and managing license rights (eg. Copy and paste license string versus managed license handling)
  - 360 degrees visibility within license lifecycle
  - High level security model
    - Secure re-host, repair, return, re-install
    - Anchoring and Binding identities (from the target machine) provide additional security
    - An Activation utility adds/removes rights from trusted storage

# Product Activation Example



# Trusted Storage/Activation: Usage Scenarios – Trial Licenses

- Enable trial licensing
  - Auto Start (for an ISV defined duration)
  - Automatic at time of Install
  - Requires Zero involvement/contact with the ISV
  - Frequently called a Courtesy or Starter License

# Trusted Storage/Activation: Usage Scenarios – Volume Licensing

- Charge up a license server with license rights
  - (like depositing money in a major account)
- Activate a license on a specific system from the license server system
  - (transferring money to another account for the same owner)
- Return a license from one system back to the license server
  - (return the money back to the original major account)

# Trusted Storage/Activation: Types of Activation

- Internet activation (Hands Free)
  - Programmatic activation, using FlexNet Operations or LGT/LGAPI
- File-based activation (Dark Site Processing)
  - FlexNet Operations Self Service Customer Portal
  - Manual activation (email) using FlexNet Operations or response generator
- Keyboard activation (Dark Site Processing)
  - For telephone activation, using short-code ASR
- Embedded activation (Disconnection Trial/Courtesy)
  - Using local-trial (Trials, Emergency or stopgap) ASR

# Value of Entitlement Management

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# Entitlement and Compliance Management (ECM) FlexNet Producer Suite Overview

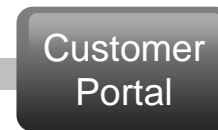
## Vendor Environment



3<sup>rd</sup> Party License  
Generators



## Customer Environment



Customer Self  
Service



Smart  
Devices



Software

- Customer master database
- Entitlement management
- Product packaging and flexible licensing schemes
- License fulfillment and management
- Electronic software delivery
- Export compliance
- Comprehensive business intelligence
- Revenue recognition

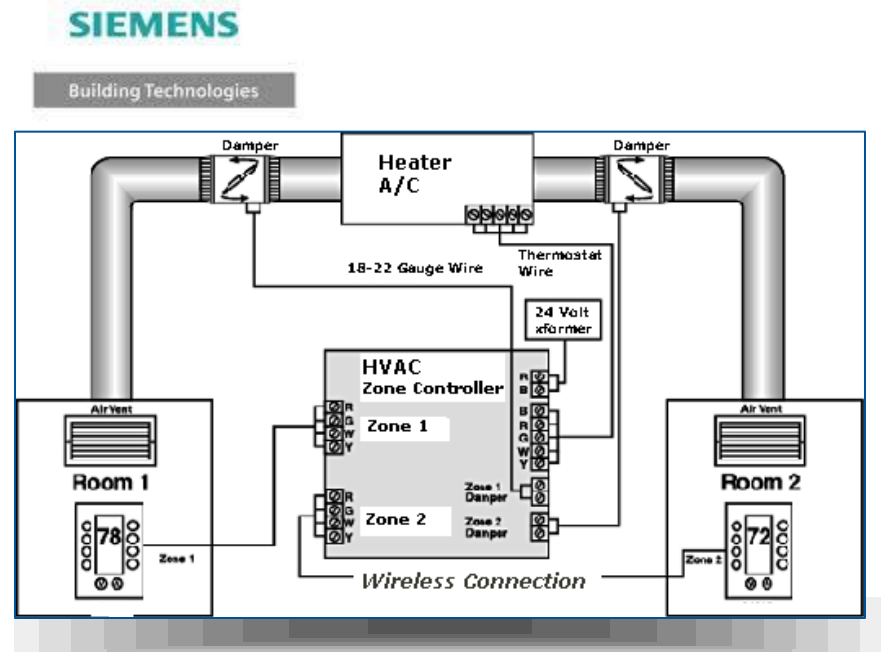
- License enforcement and revenue protection
- Secure license management
- Software and hardware activation
- Electronic feature enablement
- Software and firmware updates

# Why centralized entitlement management?

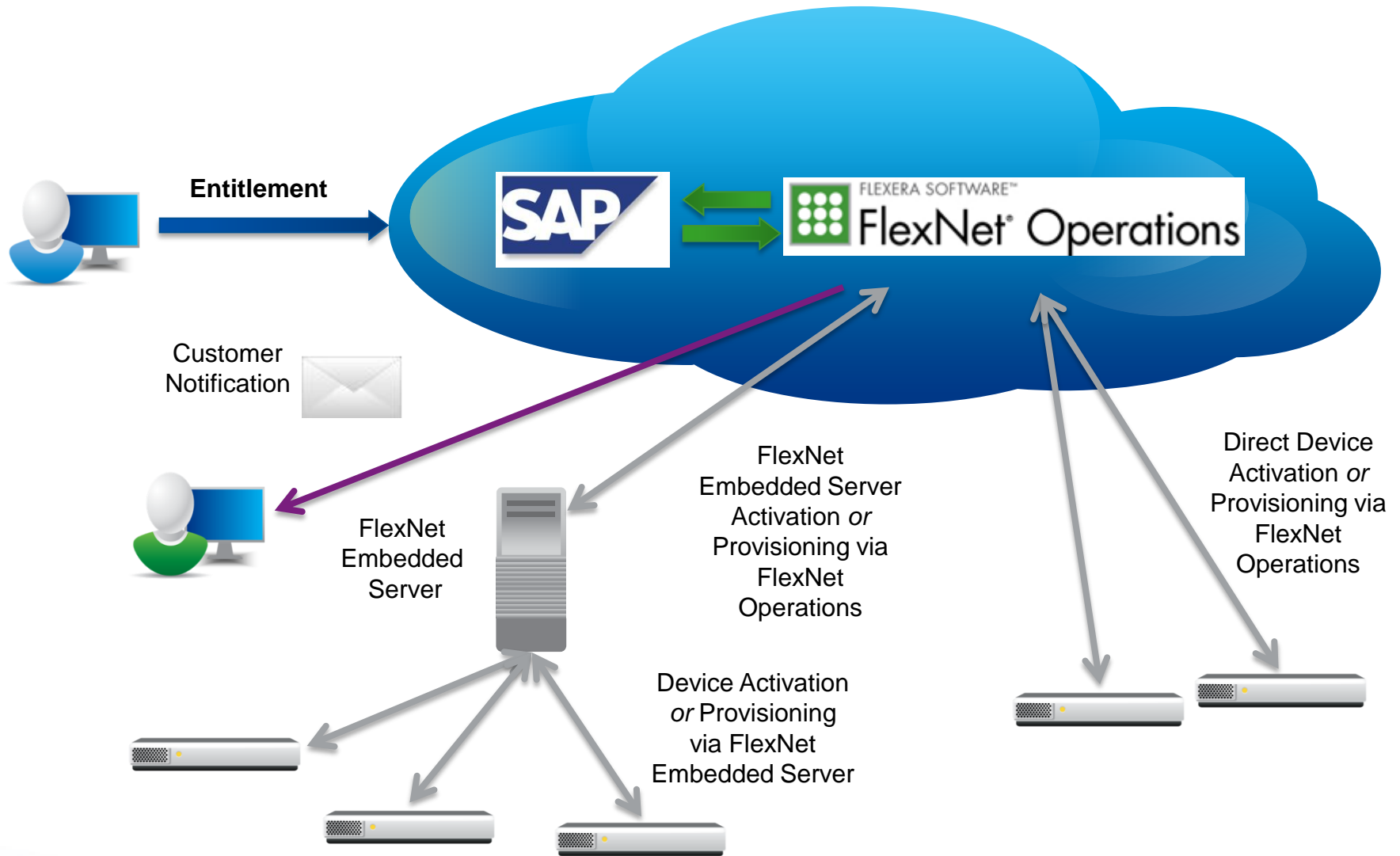
- Entitlements is the most valuable data for Publishers
  - Who has what, how, how much, when, where
- Centralized view is critical
  - Shared view with customers, channel, etc.
- Single user experience
  - Reduces support calls, costs of multiple systems, etc.
- 7x24, always available
  - Matches the reality of this connected world
- Enables many business processes
  - Revenue recognition, Fulfillment, Delivery, Device Mgmt, Upgrades, Upsells, Product Reconfigurations, Compliance

# Trend: Device manufacturers are becoming software vendors

- “Before, to change capability in a deployed [HVAC] unit, we had to physically remove the old unit and put in a new one. Now that can be remotely enabled with FlexNet Operations” - Siemens Building Technologies
- **BEFORE:** 12 hardware variations and 40 firmware variations, creating 480 SKUs for a single product line.
- **AFTER:** 1 base model driving 480 variations



# FlexNet Producer Suite Architectural Overview



# Licensing of software & hardware

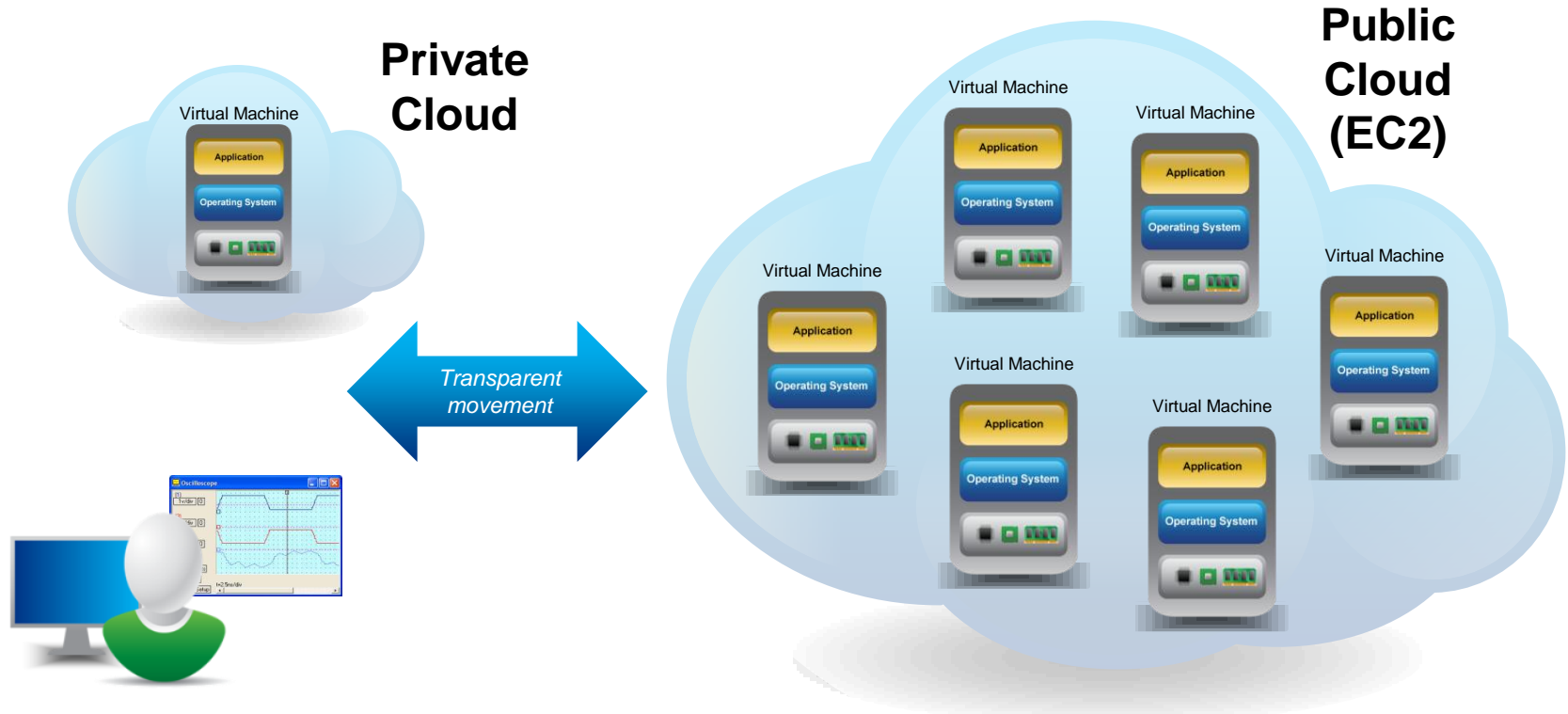
- Requirements include:
  - Extremely small footprint
  - High availability
  - Trusted storage
  - Licensing models such as capacity
  - Very higher quantity of devices
  - Much tighter integration with back-office
    - 35% of Software publishers use internet activation in 2010 vs. 27% in 2009
  - Device information

# Trend: Virtualization use increasing (threat & opportunity)

- Virtualization is mainstream but Publishers are slow to react
  - 71% of Publishers believe that Customers use VMs (IDC 2010)
  - 36% of Publishers want to use virtual appliances (IDC 2010)
  - 65% of Enterprises are using VM in their data centers (Information Week 2011)
- Approaches
  - Detect and deny
  - Bind to a VM identifier
  - Bind to an external identifier on a non-virtual component
- The requirements
  - detection, binding, hard binding
- The complexity
  - We've identified 37 different VM technologies
  - It's bound to get simpler....

# Virtualization & Cloud Computing

## Accelerate results for compute Intensive Jobs



*Engineer needs to simulate a Large IC design– more time and resources required than available. Time-to-market is the business driver*

*Numerous VM's created & sent to public cloud to perform Computation*

# Packaged Software in Cloud: Charging by the hour for EDA software

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**Synopsys preps 'surge' verification via cloud**  
Dylan McGrath  
3/29/2011 1:25 PM EDT

SANTA CLARA, Calif.—EDA and IP vendor Synopsys Inc.'s top executive said Monday (March 28) that Synopsys would leverage the power of cloud computing to offer verification services on a massive scale by putting hundreds or even thousands of computers to work at one time on running simulations on customer designs using its VCS Verilog compiled code simulator.

Synopsys Chairman and CEO Aart de Geus told an audience at the company's SNUG San Jose users' group event here Monday that using a "surge" in computing resources would allow designers to run a number of verification simulations in days or weeks that may have taken many months otherwise.

De Geus acknowledged that the business model for the service remains a work in progress, but that engagements would be quoted on a per hour, per computer basis.

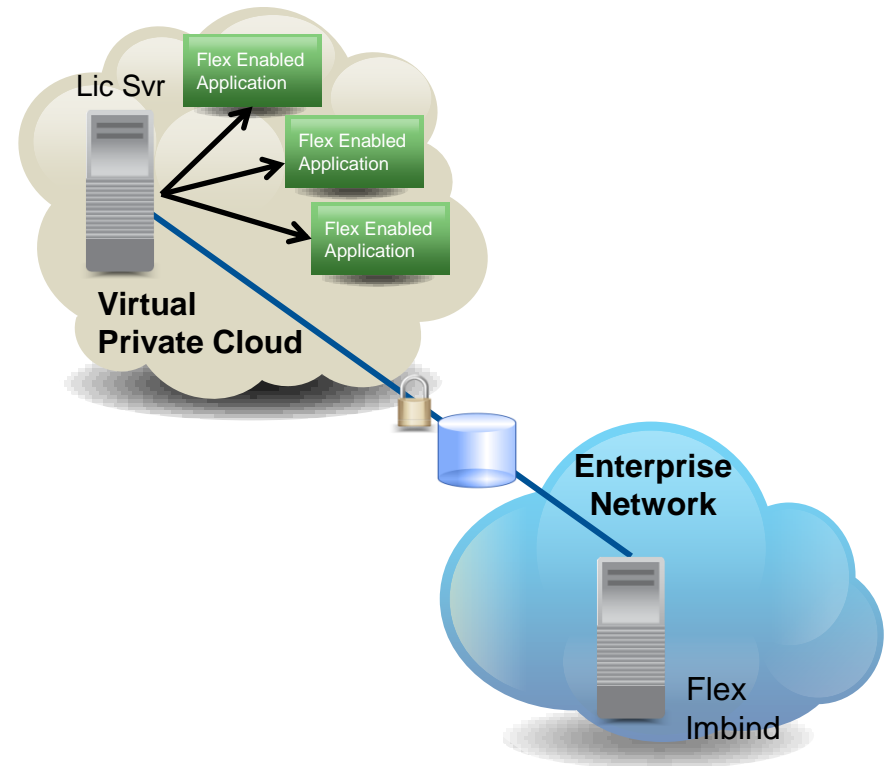
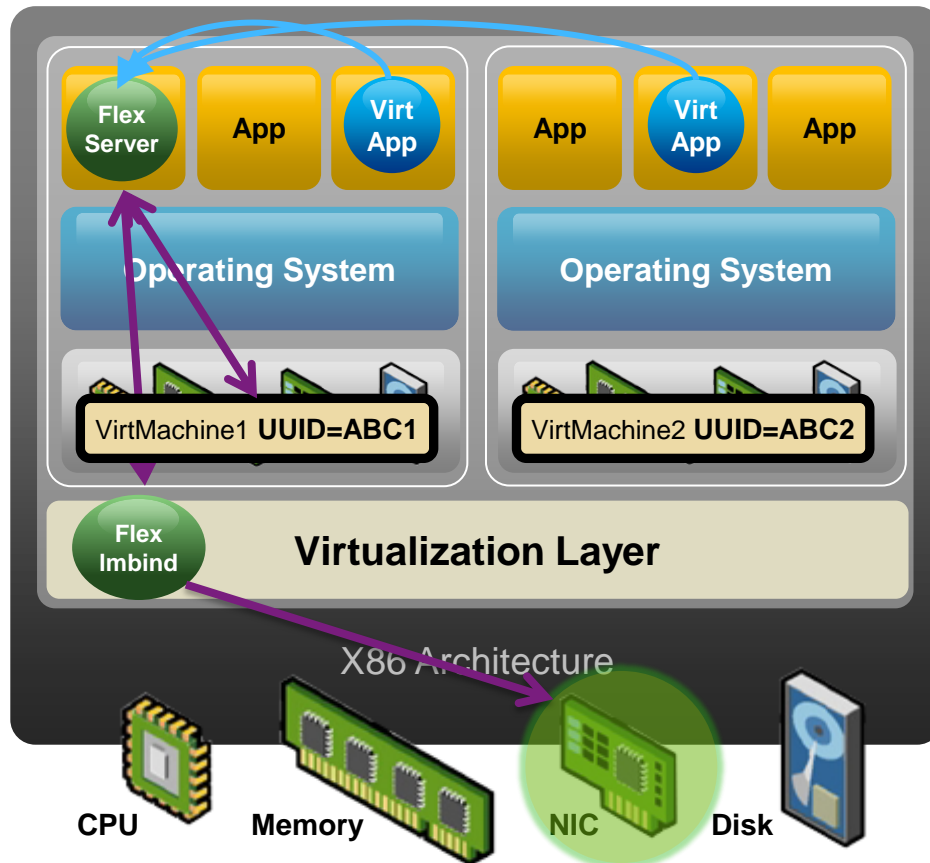
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# Virtualization - Bare Metal Binding or Bind to UUID



# Cloud market

## Cloud Applications Software as a Service (SaaS)

### Pure-play SaaS



## Packaged Software

S+S: Software + Services

Virtual Appliances for Packaged SW



## High-Tech Device Manufacturers- Virtual Appliances



## Cloud Platform Platform as a Service (PaaS)

App Development, Web Infrastructure, Data Warehousing

### App Development



### APIs



## Cloud Infrastructure Infrastructure as a Service (IaaS)

Servers, Networking, Storage

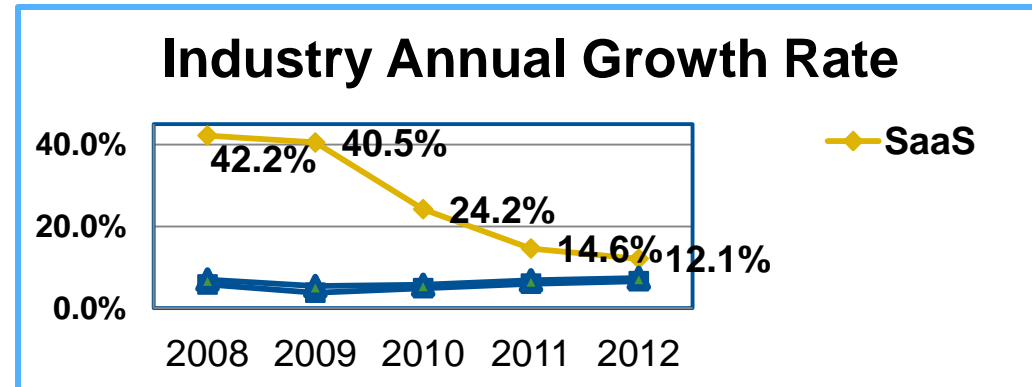


Sources: Flexera Software analysis, based on IDC and Gartner concepts

Note: The companies mentioned illustrate the trend but may not be Flexera Software customers

# Cloud strategy 1: SaaS

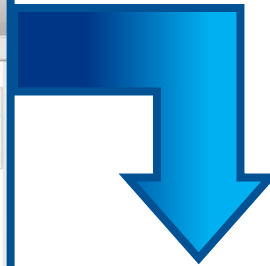
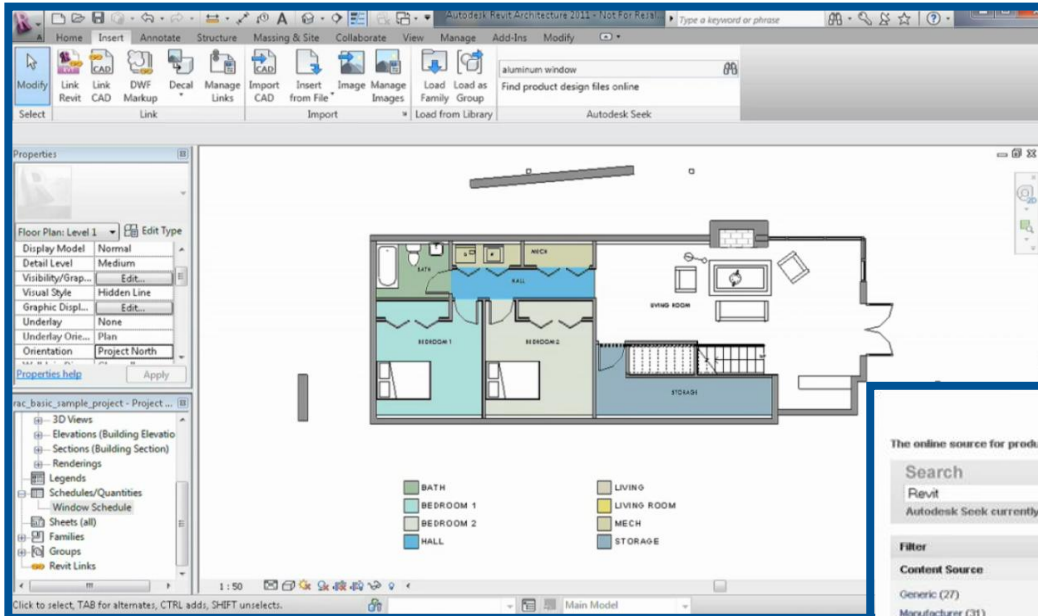
- SaaS is on everyone's drawing plans
- Considered a future play for most companies
  - Significant re-design of products and market strategies for existing companies
- Usage-based pricing models considered
  - Monthly user usage
  - Storage capacity per month



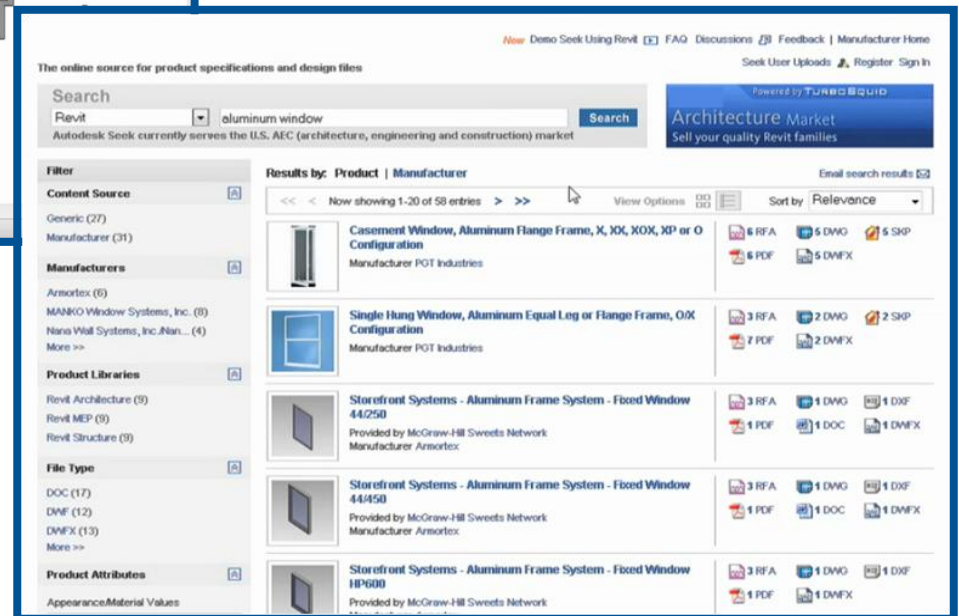
Source: IDC 2010

# Cloud strategy 2: On-premise + service in the cloud

## CAD Software: Desktop + Cloud to add more value



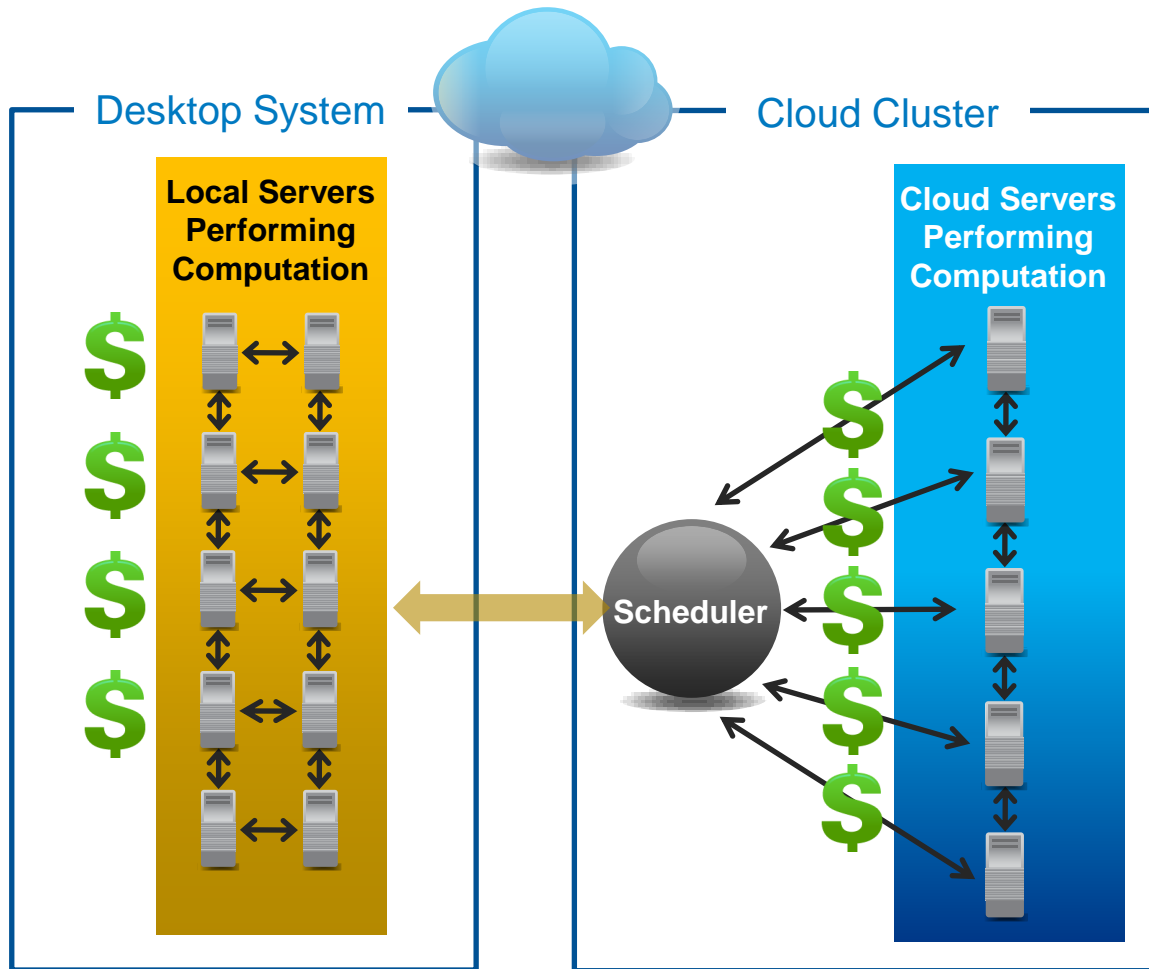
- Design on the desktop
- Search for parts online (stored in Amazon S3)



Source: Company website

# Cloud strategy 3: off-load computation in the cloud

Scientific Computing Software: Desktop + Cloud to Accelerate



- Program on the desktop
- Compute in the cloud (Amazon EC2)
- Accelerate results

Source: Company website

# Cloud strategy 4: sell products in the cloud

9000 virtual appliances on the Amazon Web Services (AWS) marketplace

1400 virtual appliances on the VMware marketplace

ORACLE



- Oracle customers can now license Oracle Database 11g, Oracle Fusion Middleware, and Oracle Enterprise Manager to run in the AWS cloud computing environment.
- Oracle has delivered a set of free Amazon Machine Images (AMIs), that can be downloaded from the Oracle site
- Developers can take advantage of the provisioning and automated software deployment in these AMIs to rapidly build applications using development tools such as Oracle Application Express, Oracle JDeveloper, Oracle Enterprise Pack for Eclipse and Oracle Workshop for WebLogic.

Sources: Oracle/Amazon web sites

# Cloud requirements

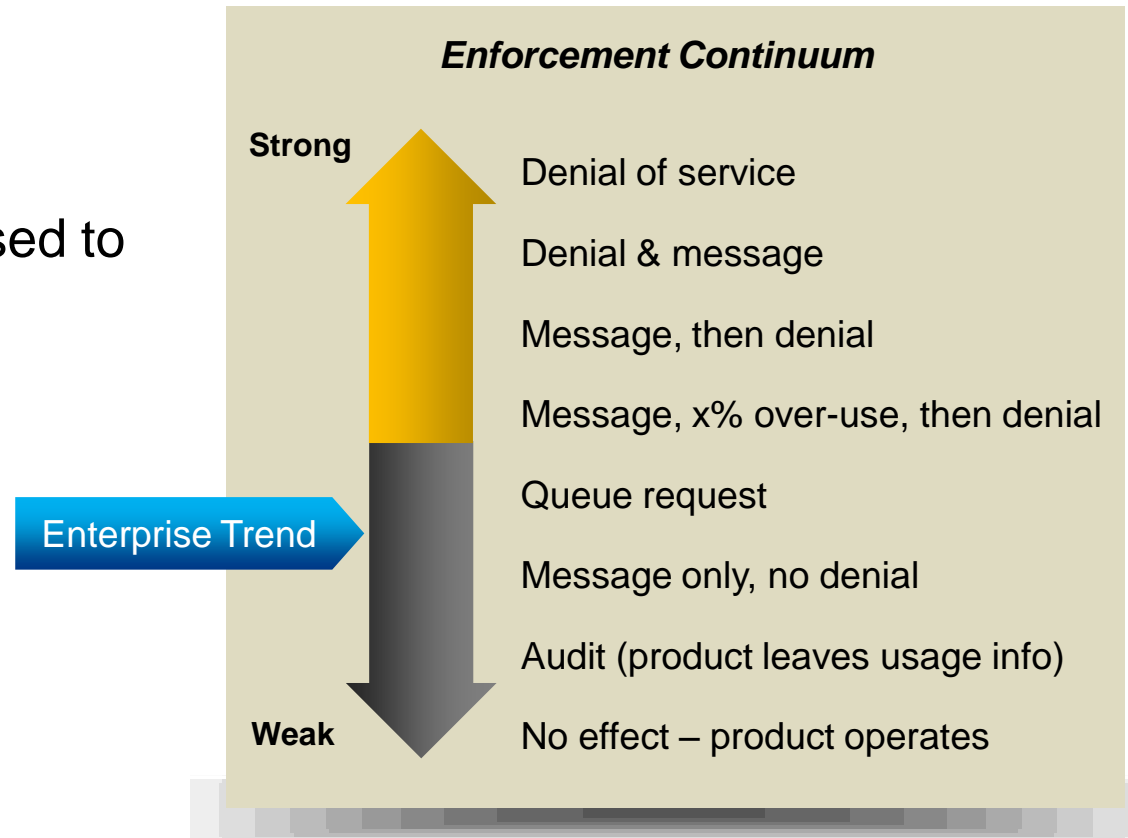
- Has many of the needs of on-premise software:
  - Monetization of solution
  - Capacity counting/ tracking
  - Authentication & authorization of use
  - Usage tracking
  - Binding to help with compliance

The screenshot displays the Salesforce website's pricing page. At the top, there's a navigation bar with 'Products', 'Services', 'Events', 'Customers', 'Community', and 'About Us'. Below this, a banner reads 'Get the world's #1 sales application' and 'Improve sales productivity, boost your win rates, and grow your revenue. Get started in less than 60 seconds.' The main content area is divided into five columns, each representing a different edition of Salesforce CRM. Each column includes a price per user per month, a free trial offer, and a list of features. The 'Enterprise' edition is highlighted as the 'BEST VALUE!'.

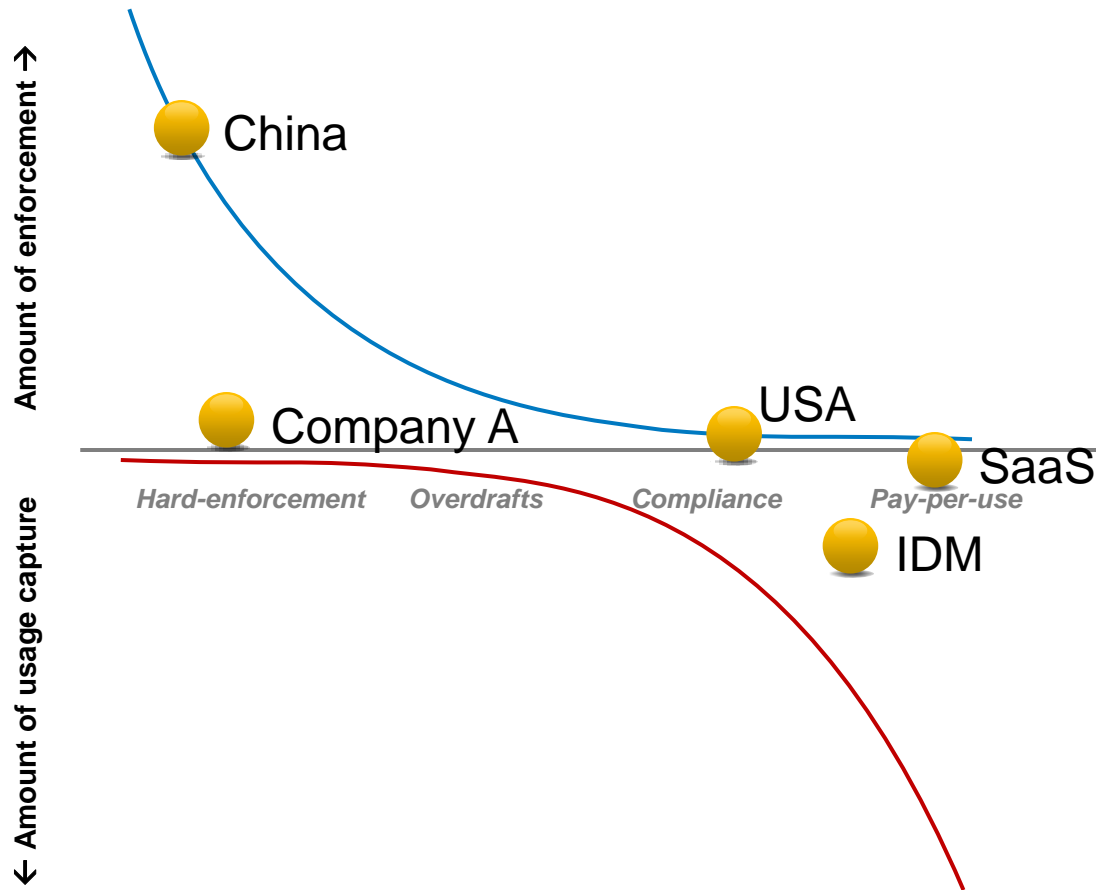
Edition	Price (per user/month)	Free Trial
Contact Manager	\$5	7-day free trial
Group	\$25	14-day free trial
Professional	\$65	30-day free trial
Enterprise	\$125	30-day free trial
Unlimited	\$250	30-day free trial

# Trend: Licensing is being applied as a spectrum

- Compliance philosophy is based on trust & leniency of enforcement for B2B enterprise customers
- More focus being placed on
  - reporting as opposed to
  - license denials for
  - larger , enterprise
  - customers



# Relationship Between Usage & Enforcement



## Supporting use-cases:

- Different licensing models for different geographic regions
- Ensuring client identity and preventing ID sharing with pay-per-use.
- Publishers hard-enforce now, but want to move to pay-per-use in future.
- Enforcing usage (non-standard metrics)

## Trend: Usage-based licensing model is gaining popularity

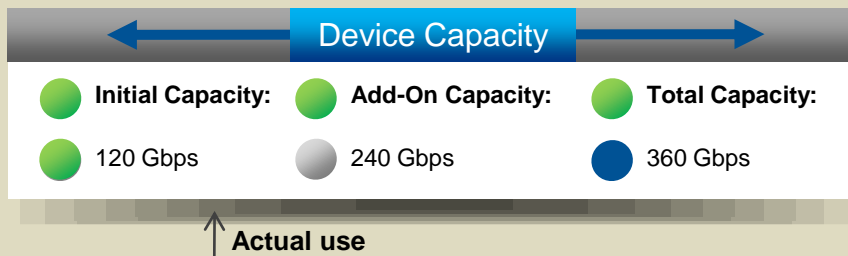
- SaaS licensing approaches are gaining popularity
  - Salesforce.com – monthly payment for # of users (in tiers of use)
  - MS BPOS – monthly payments
  - Office 365 is making a big splash
    - First time office is being broken into sub-components for pricing
- Producers are talking to us about:
  - Put the application in a VM and host it at Amazon
  - Charge for the # of hours
- We expect that the resulting model will be:
  - Purchase a level of perpetual licenses
  - Pay “per use” for use above the perpetual licenses

## Example #1: Device Manufacturer—pays for capacity (based on compliance findings)

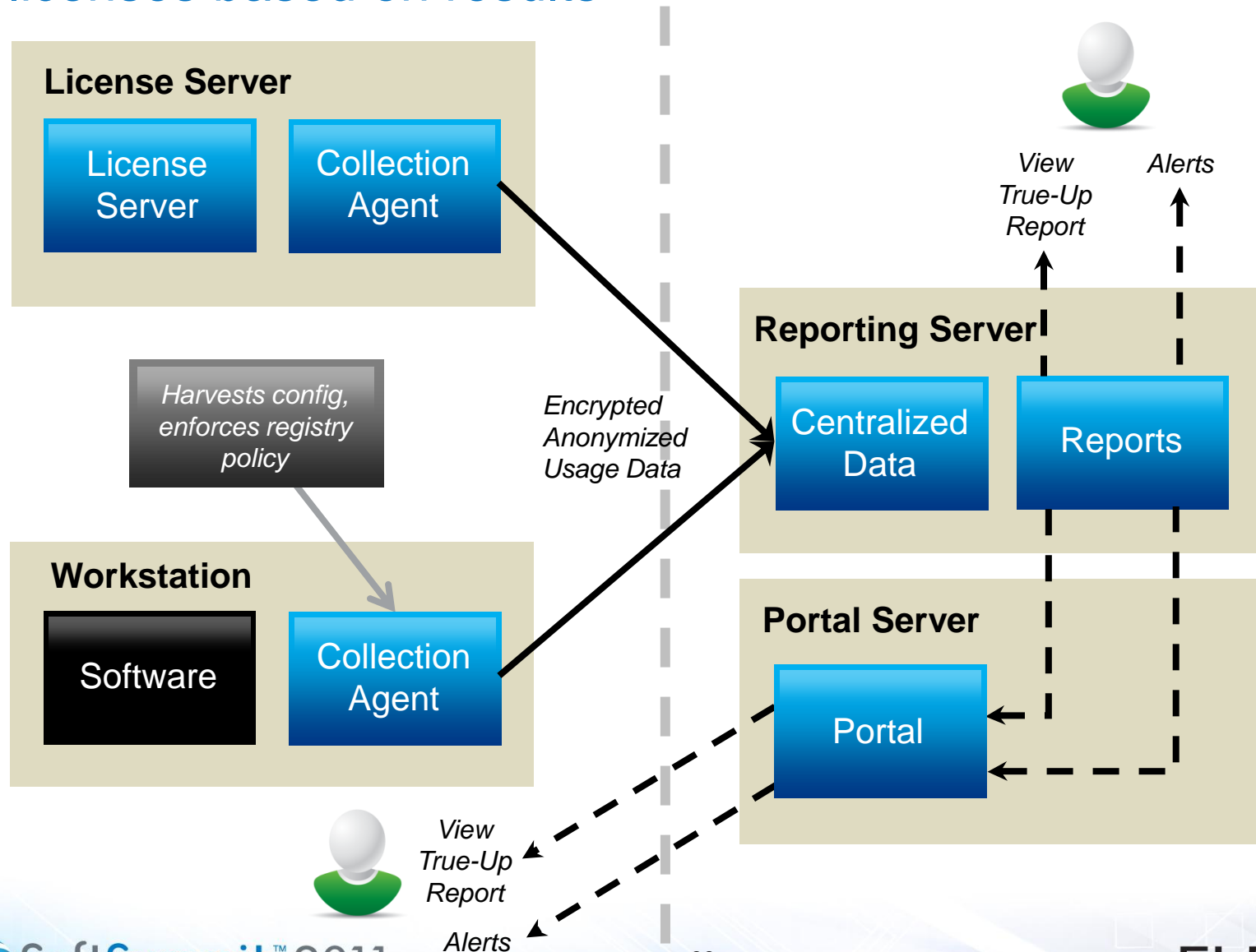
- Service providers can use capacity, but within overage limits (e.g., 10% overage)
- Pattern of overage may result in compliance conversation periodically with the manufacturer

### Example:

- Customer pays for 120 Gbps initially with ability to exceed by 10% (i.e., up to 132 Gbps)
- For the next 90 days, customer exceeded 120 Gbps for 40 days
- Manufacturer uses usage data to have a compliance conversation (e.g., “*maybe you should upgrade to 240 Gbps?*”)

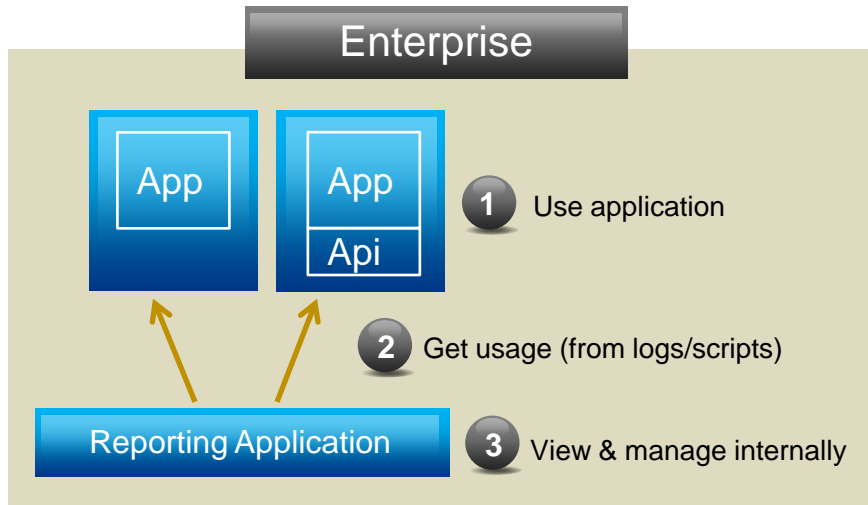


# Example #2: Top CAD Publisher—use every product, we'll set licenses based on results



# Example #3: Large High-Tech—give the data to customers

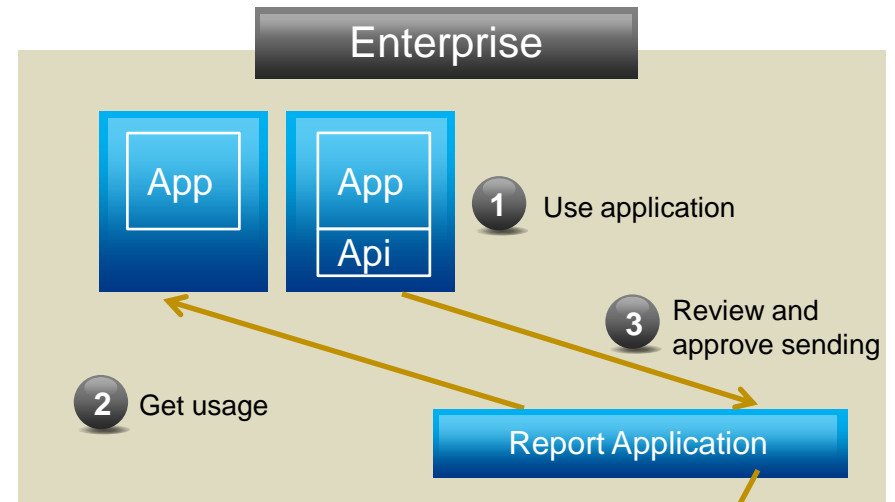
Short-term approach



Publisher

Entitlement Management System

Long-term approach



Publisher

Entitlement Management System

Usage Module

- 4 View reconciliation/compliance Reports, automate dialogues
- 5 Automate audits Upsell/ xsell Charge – new licensing models