

Adapting to Meet Today's Trends and Technologies– Compliance vs. Enforcement

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Topics

- Drivers to greater interest of usage-based licensing
- Examples out there
- Requirement patterns
- Hurdles to usage-based licensing
- Flexera Software's solutions
- Q&A

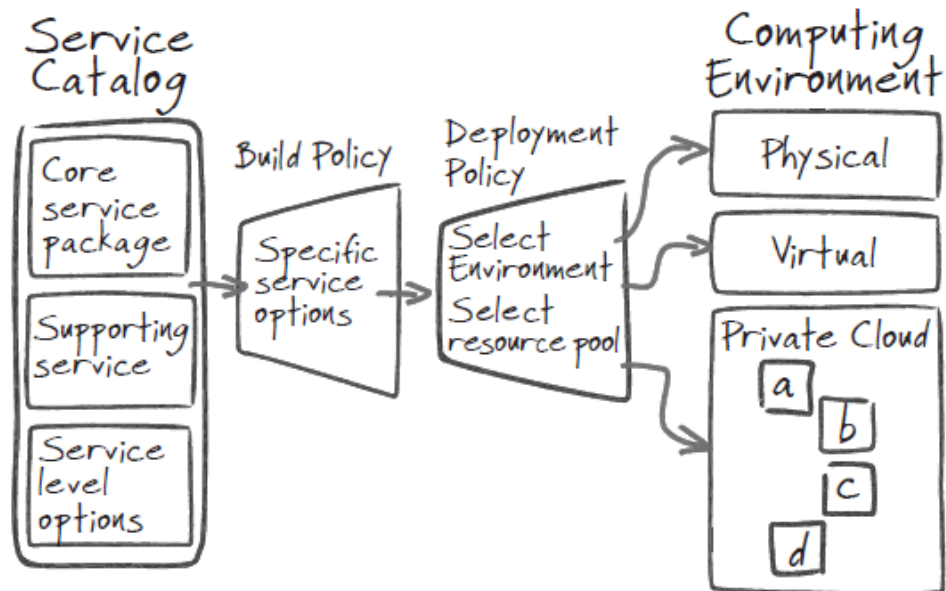
For the last year -

- We've seen an explosion of interest in usage-based licensing
 - I've personally talked to hundreds of Software and Device Manufacturers about this topic

- What's driving this growth in interest?

Consumerization & automation of IT

- We take our personal experiences to the office:
 - 500,000 new Android customers per day
 - 400 million Android phones in China
 - 28 million iPads sold
 - 20X growth in Netflix in 8 years (monthly movie subscriptions)
- IT is making it easier and easier to stand up more applications



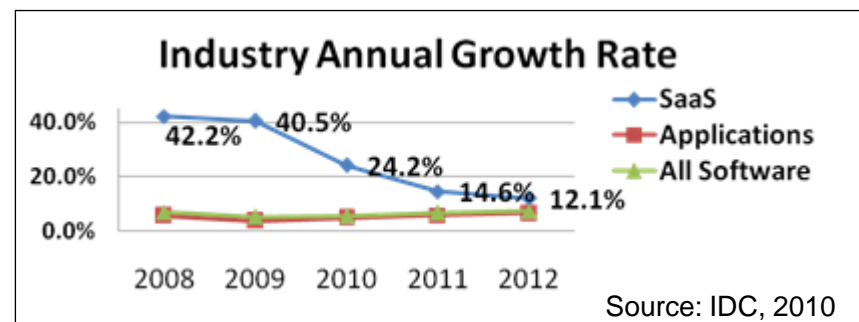
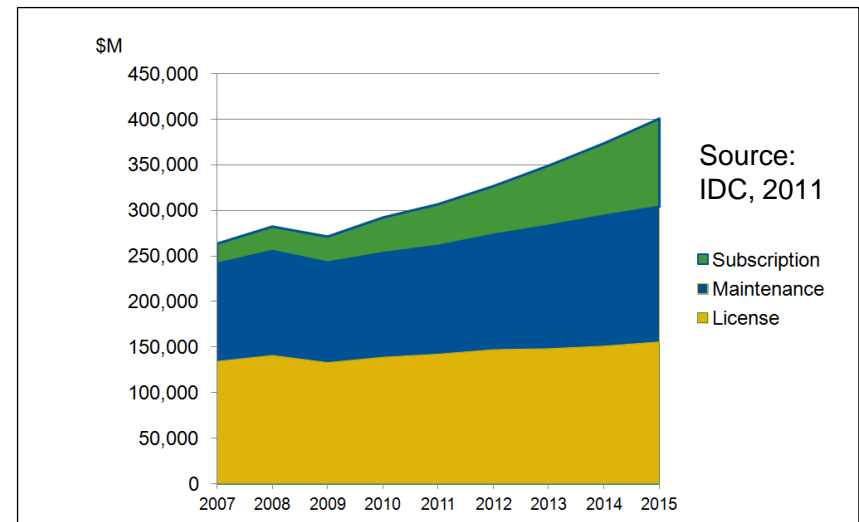
Subscription is growing

- Subscription is growing
 - Not just from SaaS applications

- SaaS is growing fast
 - \$20B & growing
 - '09: 64 VC investments totaling \$180 million
 - '10: 93 VC investments totaling \$713 million

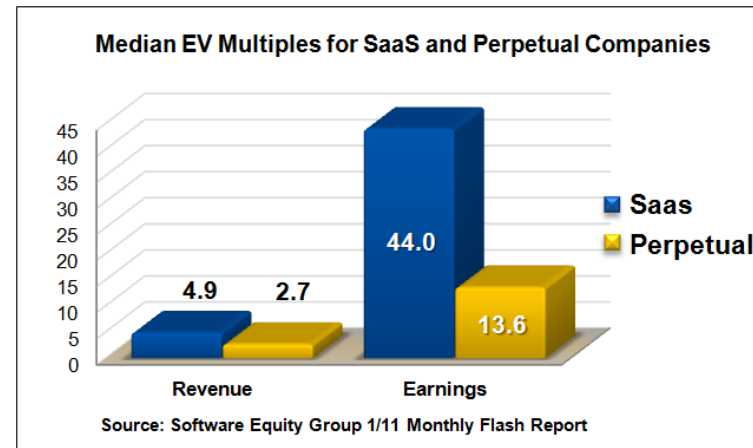
- Growth of App stores

- “As ISVs shift to the desktop app store model, what will happen to traditional licensing practices? Will all ISVs shift? If not, how will they compete with the click and download features of the Mac App Store, among others?”
 - one reporter asked us recently



Other drivers

- Valuation of companies
- Project-based pricing
- Higher penetration of all applications
- Ease of adoption/implementation
 - SaaS, license servers, etc.



**#1 Reason:
Some of your customers
are asking for the change**

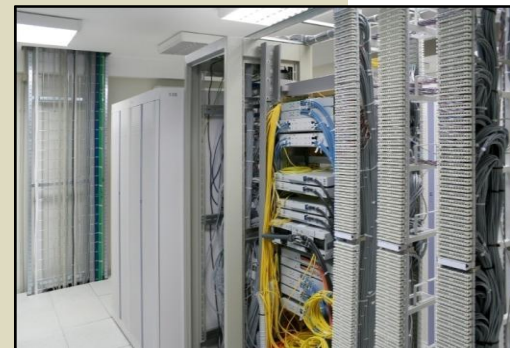
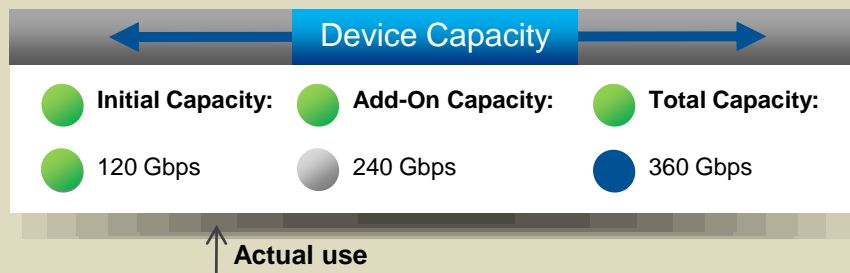
Examples

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

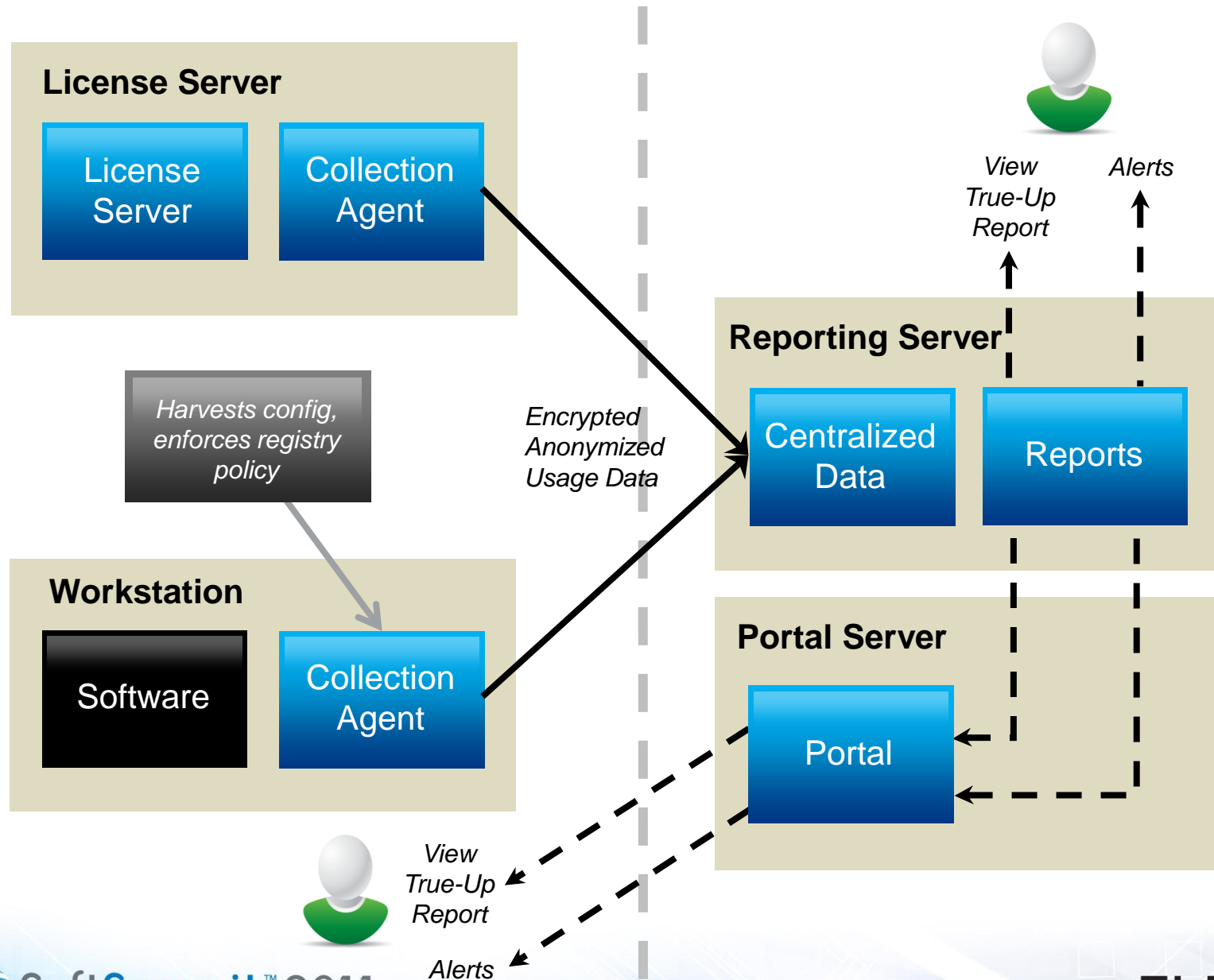
- Service providers can use capacity, but within overage limits (e.g., 10% overage)
- Pattern of overage may result in compliance conversation periodically with the manufacturer

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?*”)

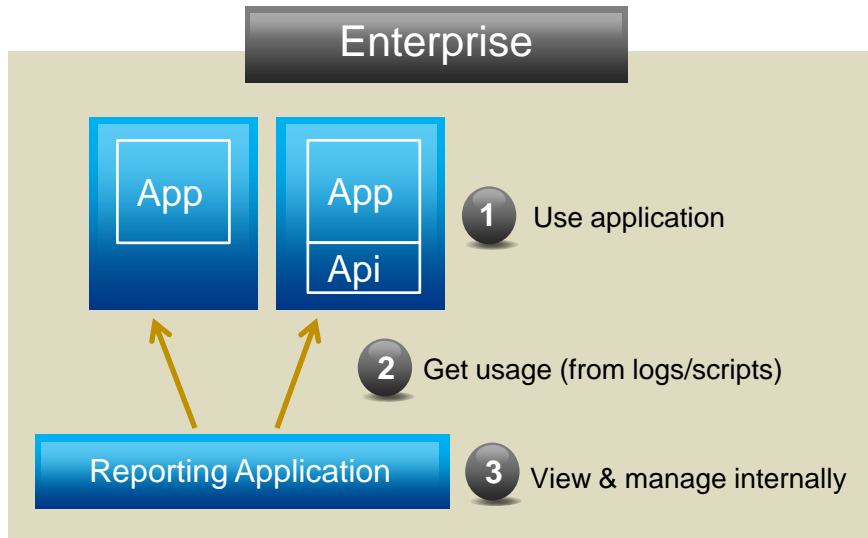


Example #2: Top CAD Publisher—use every product, we'll set licenses based on results



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

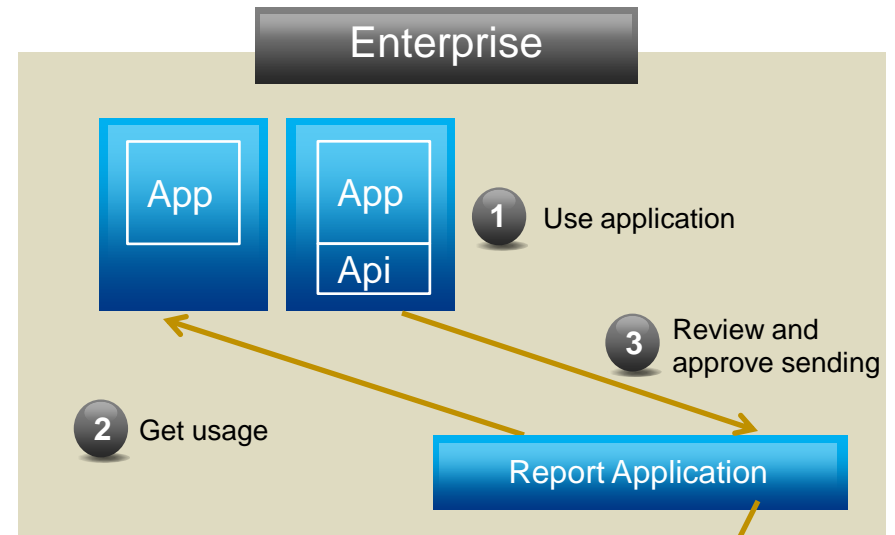
Short-term approach



Publisher

Entitlement Management System

Long-term approach



Publisher

Entitlement Management System

Usage Module

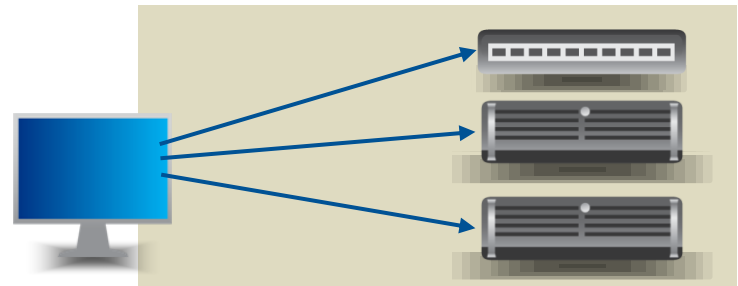
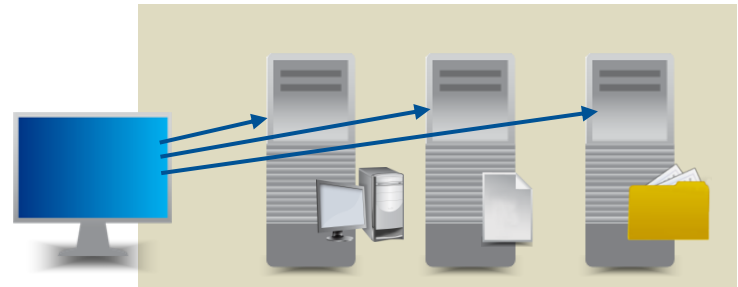
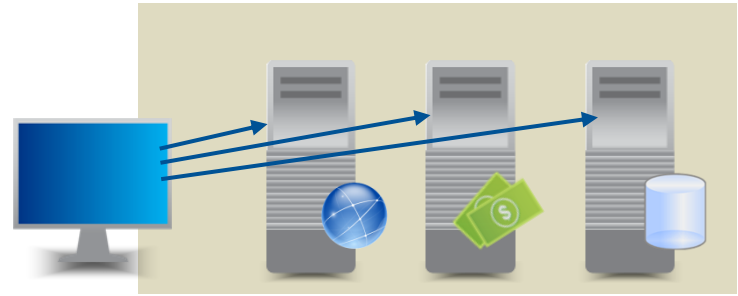
4 View reconciliation/ compliance Reports, automate dialogues

5 Automate audits Upsell/ xsell Charge – new licensing models

Example #4: IT Infrastructure vendor–help MSPs

Publisher wants to help Manage Service Providers –

- MSPs sell solution as a service (by the amount of data secured)
- MSPs need usage information
- Publisher needs the usage information (aggregated) to invoice MSP



Example #5: Teleconference—lots of models

- Looking for a variety of models:
 - Purchase 500 minute cards, stop
 - NOTE: this is not usage-based licensing. It's metered licensing
 - Purchase 500 minute cards, continue after use
 - Charge for overage on a monthly basis
 - Enterprise customers:
 - Post-use pay per device and per feature

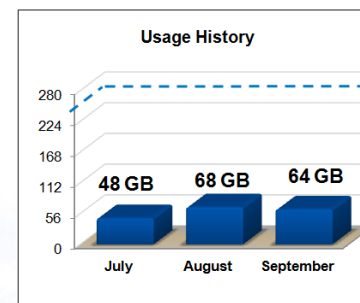
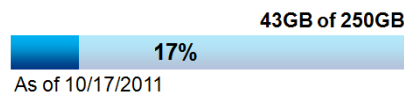


Example #6: a traditional software vendor—adding SaaS solution (S+S)

- Traditional software vendor is planning to add services:
 - Upload results of the traditional software
 - Enable workflow (viewing, editing, ranking, commenting)
- Monetization will be:
 - User levels
 - Amount of storage

Summary of requirements

- Many conversations are exploratory
 - “We haven’t defined the meters yet, what do you think of”
- At a broad-stroke:
 - Help us measure 1-2 items at the device level (typically)
 - Sometimes central server
 - Sometimes SaaS
 - Send it back to the us so we can invoice it OR have compliance conversations
 - Device use (# of minutes, throughput)
 - Use of a particular feature/sets of features
 - # of users by application
 - # of users per month
 - Storage
- Oh-and some say “we need to provide information to our customer so they can figure out how well they are doing”



Hurdles

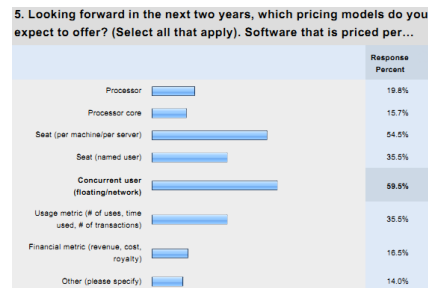
There must be some since per the IDC survey, we'd be seeing a lot more usage-metric licensing models

In 2008:

- 15% said you were using Usage Metric
- 35% said you would move to Usage Metric in 2 years

In 2011:

- 21% said you were using Usage Metric
- 43% said you would move to Usage Metric in 2 years



Various hurdles

- Enterprise (and legal): privacy concerns
 - Need to anonymize machine and login information for the vendor
 - But Enterprises need the data to analyze “expensive” users/machines
- Enterprise: forecasting requirements
 - “I can’t have a \$1million bill dropped on my lap”
 - Solutions:
 - Pre-pay + post-pay for overages (hybrid)
 - Access to the information in near real time for management purposes
- Enterprise: Need fewer meters
- Enterprise/Publisher: can’t tamper with this
 - Publishers: they can’t delete the data or shut off recording or...
 - Enterprise: they can’t add data or use this to figure out new licensing models
- Enterprise: I need to review and approve it
- Enterprise: No shut off; Publisher: Shut off if they don’t pay
- Publisher: our internal systems cannot do invoicing like this
- Publisher: need both usage-based licensing and enforcement

Flexera Software Solutions

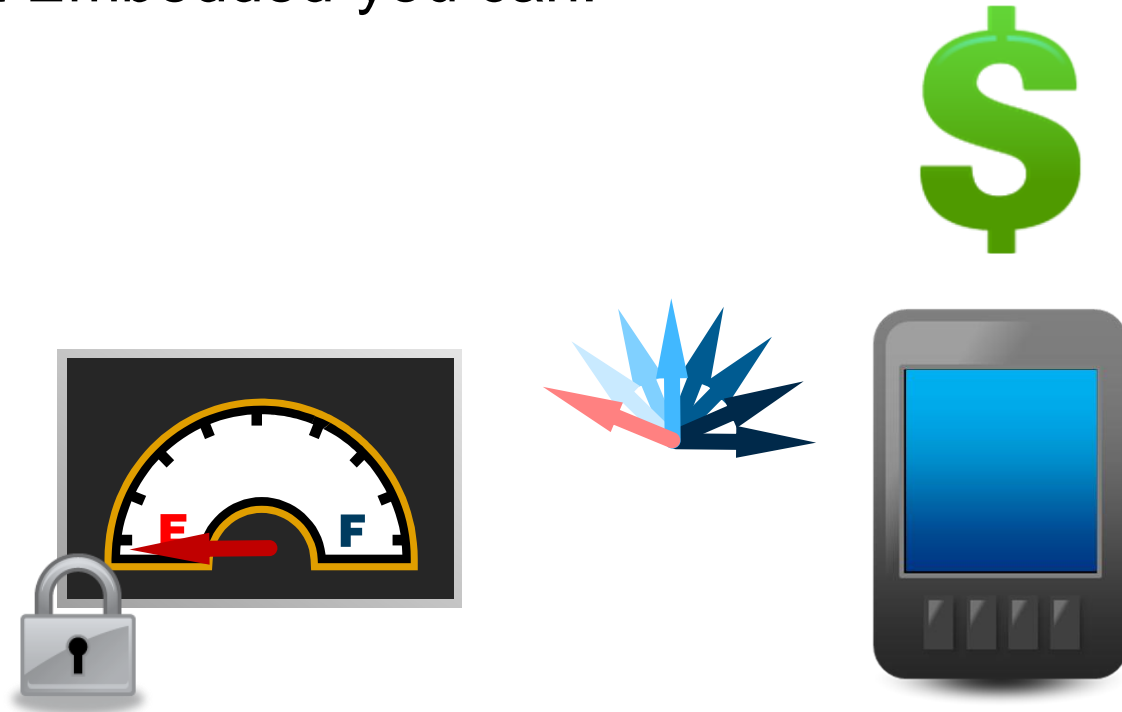
Metered Licensing

Limited Solution (Available now)

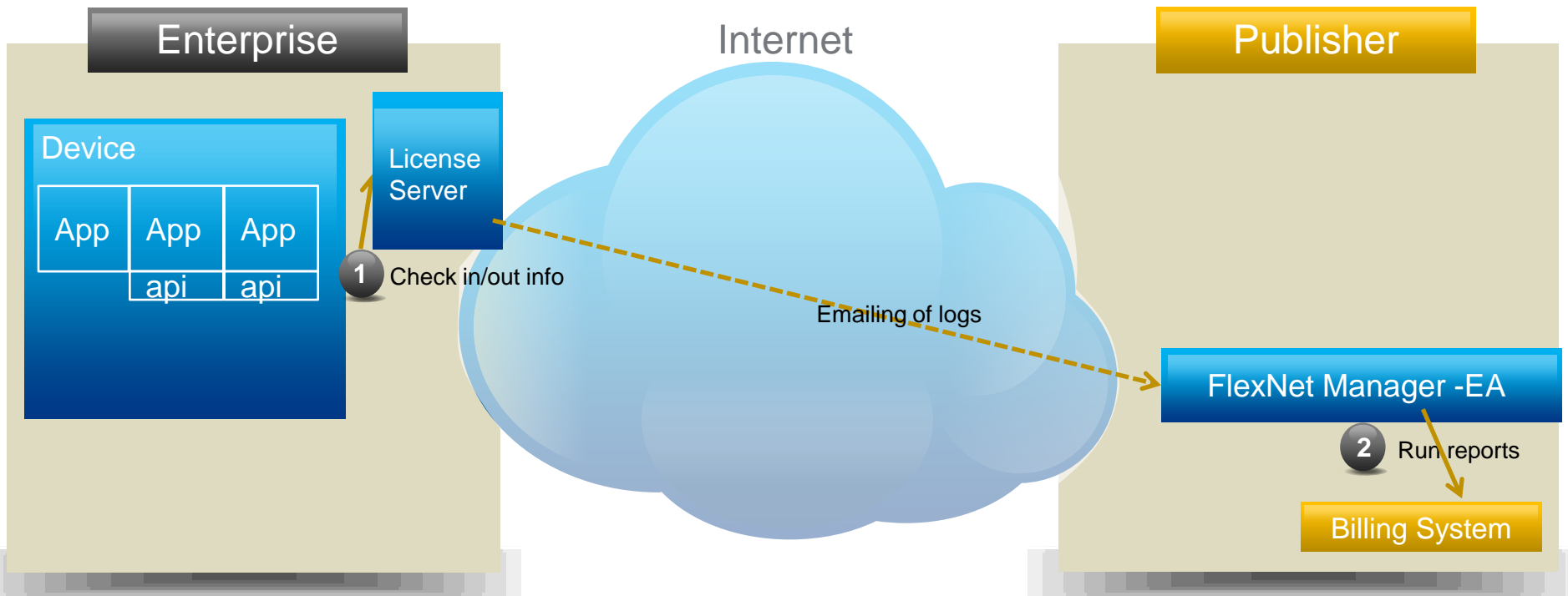
Flexera Software's Vision

Metered licensing

- Using FlexNet Embedded-you can:



Limited solution – available now

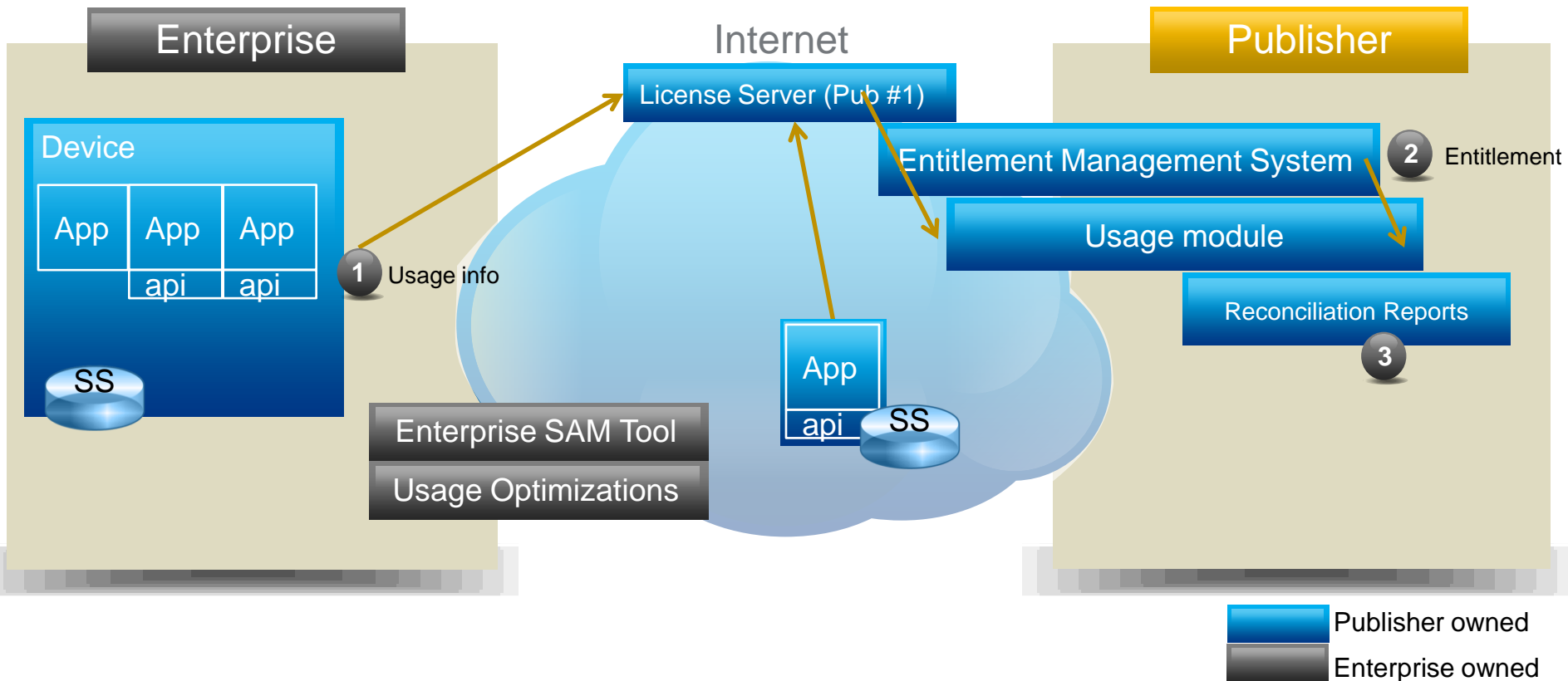


- Check in/ check out is captured with the FlexNet Publisher License Server
- Customer manually emails the logs
- Logs are parsed by FlexNet Manager EA
- FlexNet Manager EA provides use reports
- Publisher can then invoice

Limited solution – available now

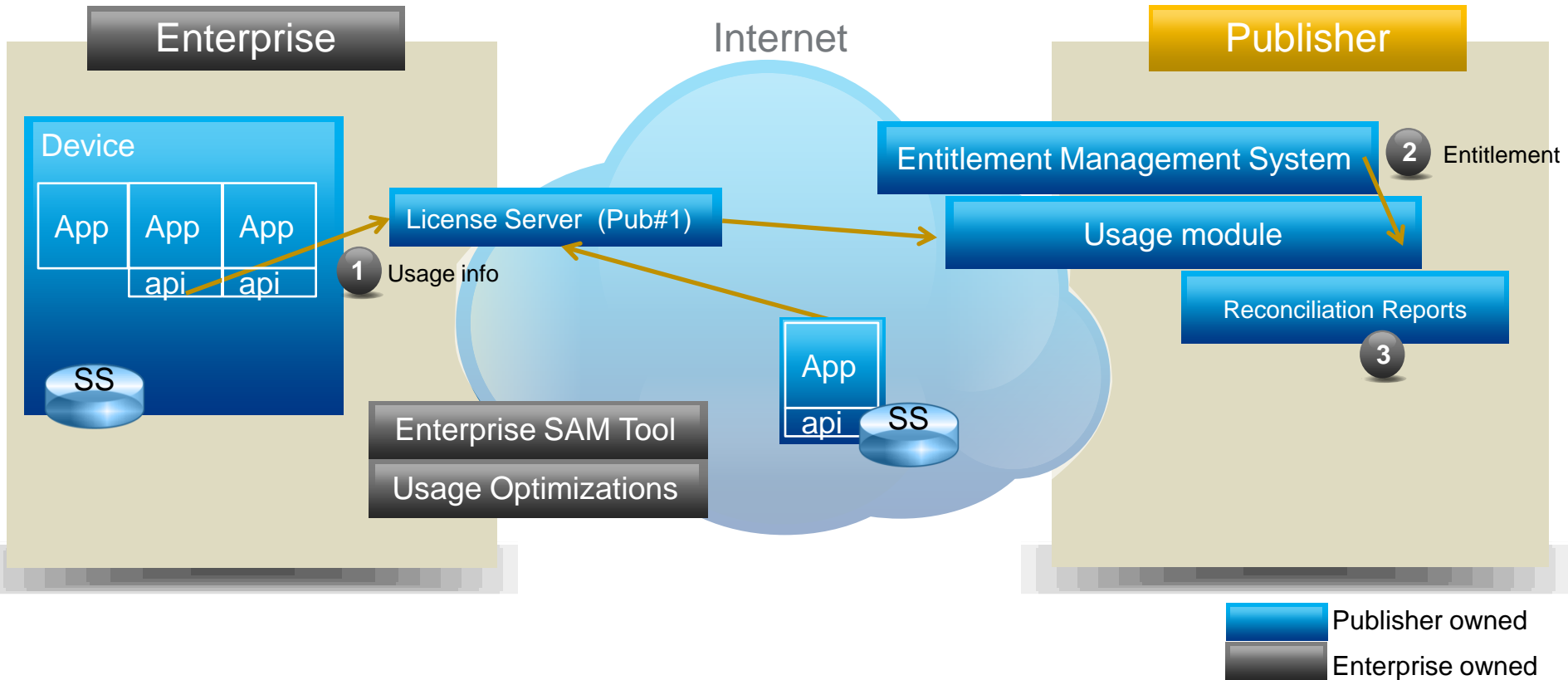
- Works well with existing FlexNet Publisher License Server
 - Supports floating licenses models
 - Does not require re-engineering of application
 - Has some limitations

Flexera Software vision



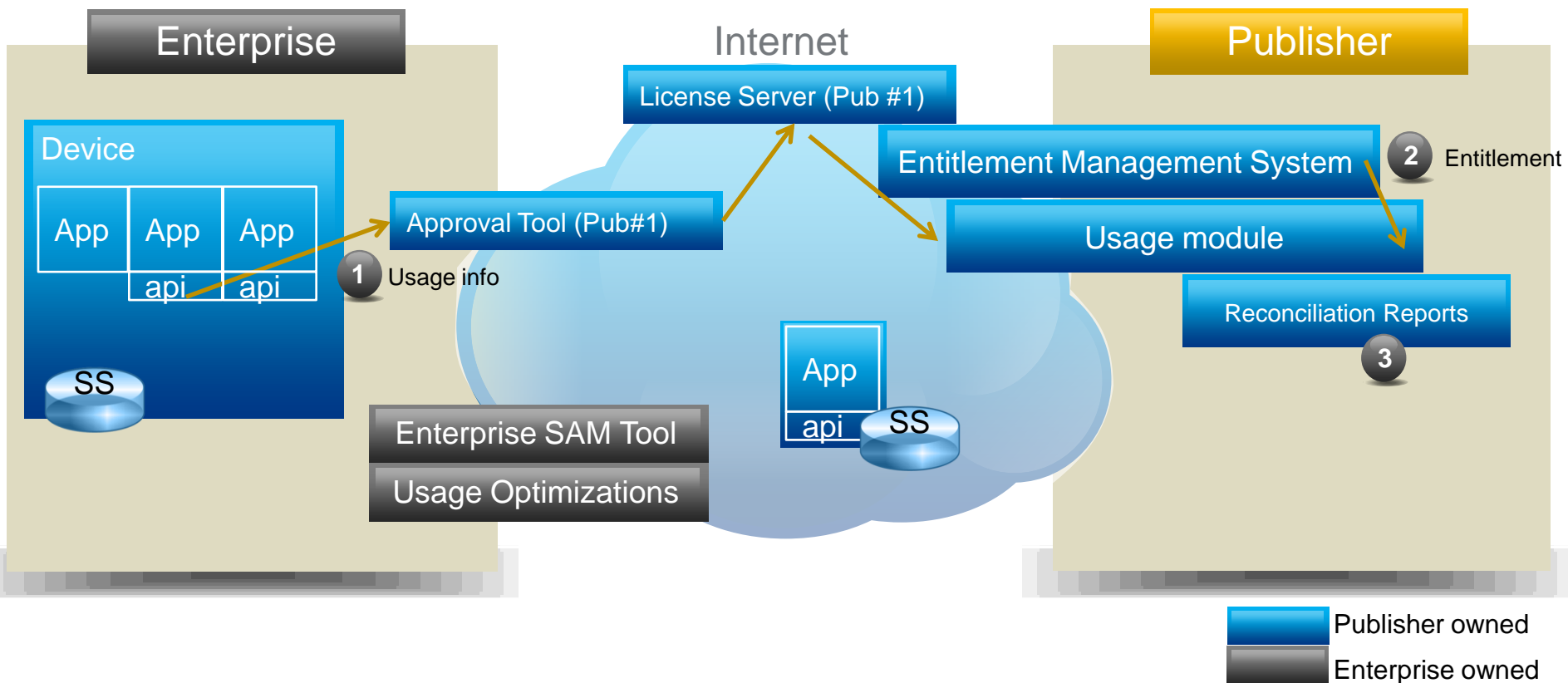
- Enabling capturing usage information to enable/improve existing licensing models and (if relevant) remove hard enforcement.
- Licensing models:
 - Business as usual (audits)
 - Burst of Use
 - Pay by hour (“On-Premises SaaS”)

Flexera Software vision—with large enterprise with internal license servers



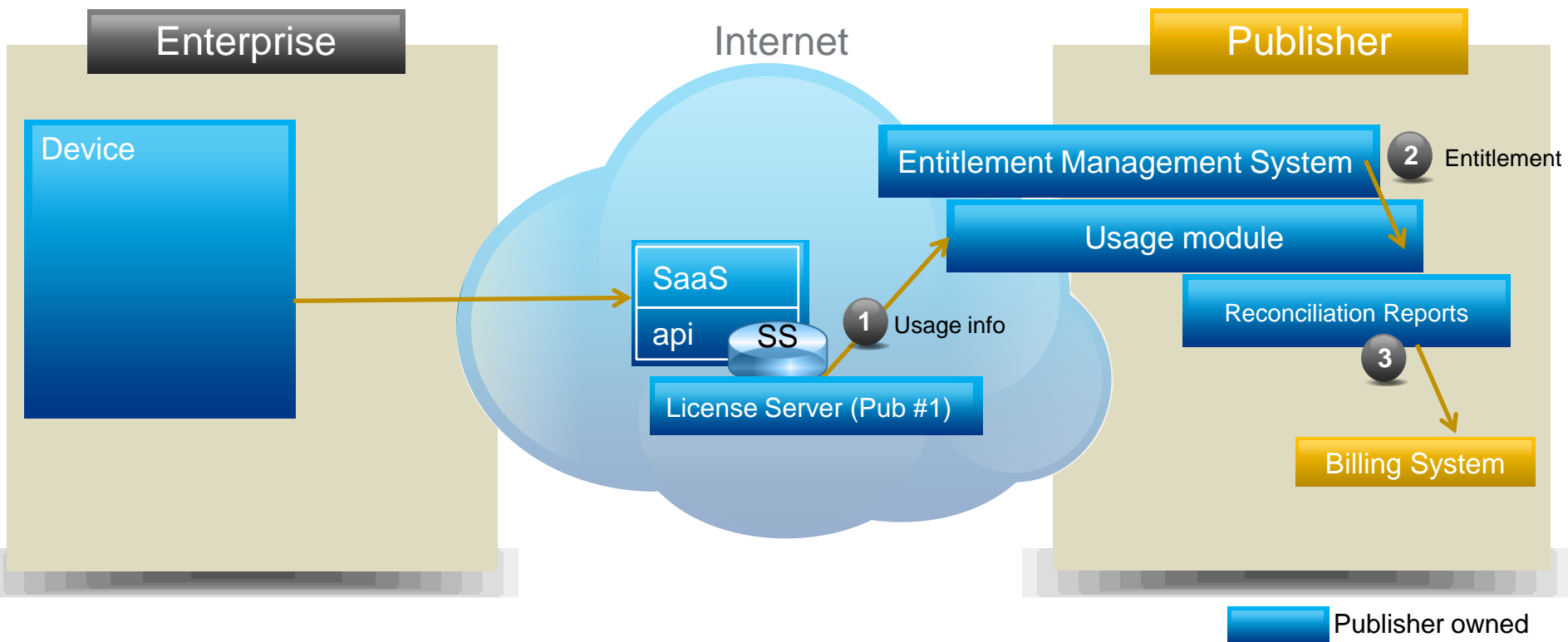
- For enterprises who are worried about license servers in the cloud and do not mind maintaining large data server

Potentially needing some type of approval tool



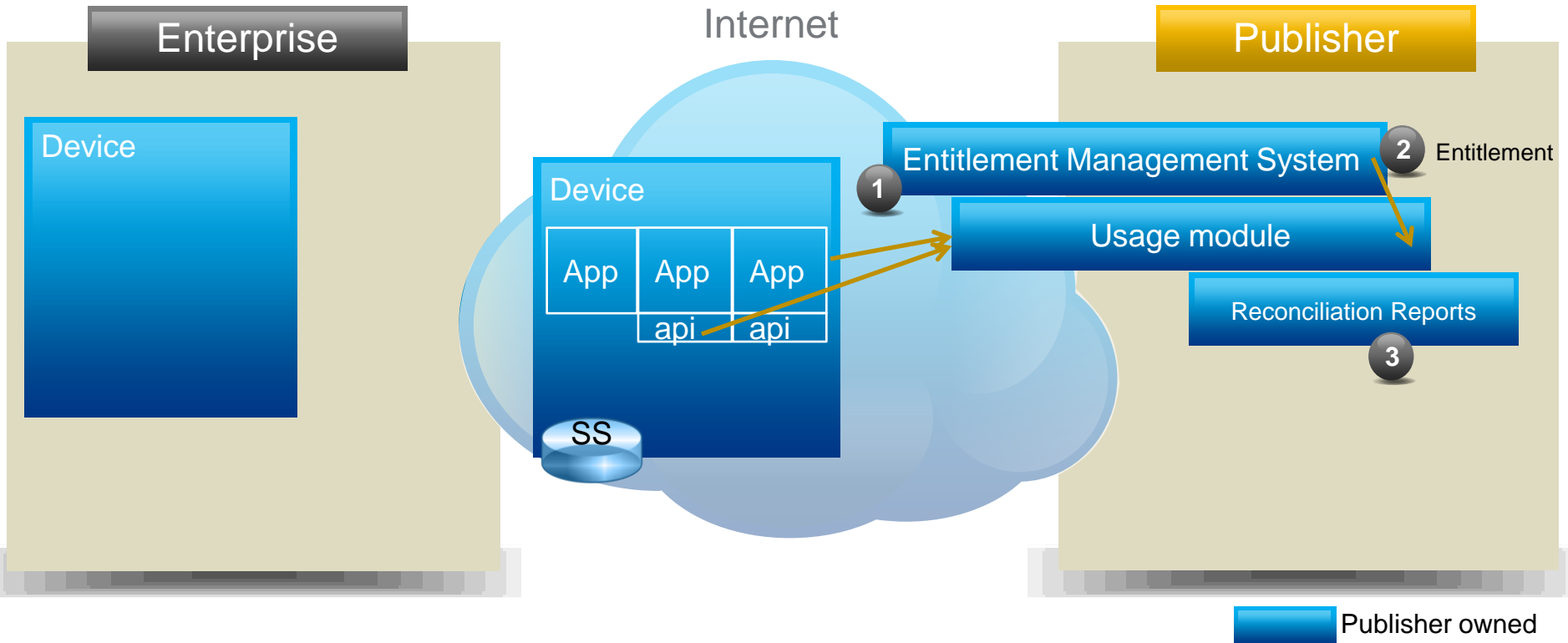
- For Enterprises that want to review and approve before sending data to the Publishers

Flexera Software vision – for SaaS providers



SaaS is first and foremost about “usage tracking.”

FlexNet Usage Management Vision – Packaged Software in the Cloud



For package software hosted by Publisher, they will be able to use FlexNet Usage Management just like on-premise software

Summary

- Convergence of:
 - Economy, virtualization and moving to the cloud is making usage-based licensing a near term reality (more than ever)
- We still have to discover exactly how this is going to work
 - Business processes to be identified
 - Technology requirements to be resolved
- Flexera Software is keenly focused on this trend

Q&A