

## Pay-as-you-go software licensing going slow

By David Becker

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**SANTA CLARA, Calif.--Pay-as-you-go software might sound like a fine idea in principle, but it's a bear to put into practice.**

That was the gist of conversation at the [SoftSummit](#) conference, as software executives discussed the promise and reality of [utility computing](#) and [subscription pricing](#).

Utility computing, a tech buzzword, essentially promises that a company will have to pay for only the computing resources it actually uses, dramatically cutting costs and improving efficiency.

Sounds good on paper, but both software makers and customers have been slow and inconsistent in committing to the model, for reasons ranging from economics to privacy.

For the software industry, utility pricing poses a threat to the bottom line, said Jason Maynard, an analyst at Merrill Lynch. It's hard to precisely predict software needs, and under standard perpetual license models, that usually results in drastic overbuying.

"We have an industry that's still addicted to the crack of perpetual licensing," Maynard said. That's why utility pricing, to date, has largely been restricted to upstarts like [Salesforce.com](#), where the whole business model is built around alternative pricing, he said.

"I don't think you're going to see the big vendors change out of inspiration," Maynard said. "This is going to be a slow transition that happens as customers demand this."

Also, usage-based pricing is new and thus inspires all sorts of novel legal issues, said [Erik Larson](#), director of product management for software maker Macromedia. That means lengthy contracts that are expensive for software makers to hash out, making them reluctant to apply utility pricing to all but their biggest accounts.

"People don't think much about the end-user agreement that comes with a perpetual license, even though it's a big legal contract, because the terms are pretty familiar, at this point," he said. "With utility pricing, by its nature, everything's different. Those contracts are 200 pages and take a whole team of lawyers to work out."

One of the biggest areas for potential dispute is what gets measured and how. Software usage can be volatile and hard to predict, and coming up with a metering scheme fair to all is a fine balancing act, said David Rowley, vice president of business development for copy protection specialist [Macrovision](#).

"When you go in and lease a car, the contract says so many cents per mile, and people have a pretty good idea of how much they're going to drive in a year," Rowley said. "Software isn't necessarily like that."

Customers may also have issues with how much information the software maker gets to collect. Usage patterns for key applications can provide valuable information on a company's business plans, making companies reluctant to share such data, even with the folks who made the application, said Rowley, likening the situation to telling Sprint, "you can keep track of my minutes but not whom I'm calling."

Dan Griffith, software asset manager for Freescale Semiconductor, said there's big business awaiting whoever comes up with the software equivalent of an electricity meter. "As the utility model moves forward, somebody needs to make a meter the customer accepts and the vendor accepts," he said.

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