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Revenera Monetization Monitor

Software Monetization Models and Strategies 2022

Executive Summary

In 2022, the fourth year of Revenera's *Monetization Monitor* research, respondents are still in the midst of moving to subscription monetization models and SaaS deployments, and continue to see the biggest growth opportunity in these areas. With reliance on perpetual licensing and on-premise deployment models also holding strong as part of a hybrid approach, producers need clarity into how their software is being used in order to make informed product roadmap decisions.

The driving force behind changing entitlement management and licensing strategies in the next 12–18 months is to "better support pricing and packaging changes." In the move to secure recurring revenue and optimize the entire quote-to-cash (Q2C) process, software suppliers must support multiple monetization and deployment models in entitlement management systems. And they need to support how customers want to pay for and consume software, not only as subscription/term monetization models maintain their popularity, but as interest in consumption and metered models grow.

Great opportunity exists for software suppliers to strengthen their monetization practices. Only about one quarter of respondents feel that they can gather product usage data very well. Fewer than one in three respondents feel that pricing is totally aligned with the value they provide to customers. By improving these metrics and making informed decisions based on them, suppliers can move toward their revenue goals.

The present report takes the pulse of software producers, offering benchmarks to help technology companies manage the complexity of hybrid monetization and deployment models. It illustrates the importance of data and analytics in providing insights into utilization, adoption, engagement—and ultimately success for software suppliers and their customers.

The trends toward SaaS deployments and subscription/term monetization models continue for the 4th year in a row, as hybridization in deployment and monetization models continues.
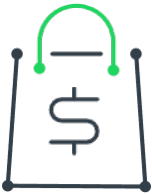
The top reason for changing licensing strategies in next 12-18 months is to "better support pricing and packaging changes" (35%).

In the next 12–24 months, 18% of respondents plan to gather product usage data, twice the rate (9%) reported in 2021.
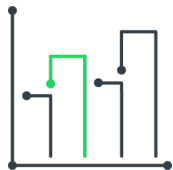
Interest in consumption-based monetization models is growing, with 41% planning to implement, echoing the 2021 report on increased interest in usage-based models (37%).

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The Revenera Monetization Monitor:
Software Monetization Models and Strategies 2022 illuminates:

The Revenera Monetization Monitor 2022 Series

This report is part of an annual series, first published in 2019, focusing on software usage analytics.
This report focuses on software monetization models and strategies. Subsequent reports in the *Revenera Monetization Monitor 2022* series will address software usage analytics and software compliance & piracy.
All reports are based on a global survey of 261 responses to a survey conducted by Revenera from mid-April through mid-July 2022

Continuing Hybridization: Monetization and Deployment Models

Contemporary Approaches

Software suppliers show an ongoing reliance on using multiple software monetization and deployment models across their business.

WHERE THE MOST USED DEPLOYMENT MODEL IS...

THE MOST POPULAR MONETIZATION MODEL IS...

SaaS
Public Cloud
Private Cloud → Subscription/Term

On-Premises
Embedded → Perpetual
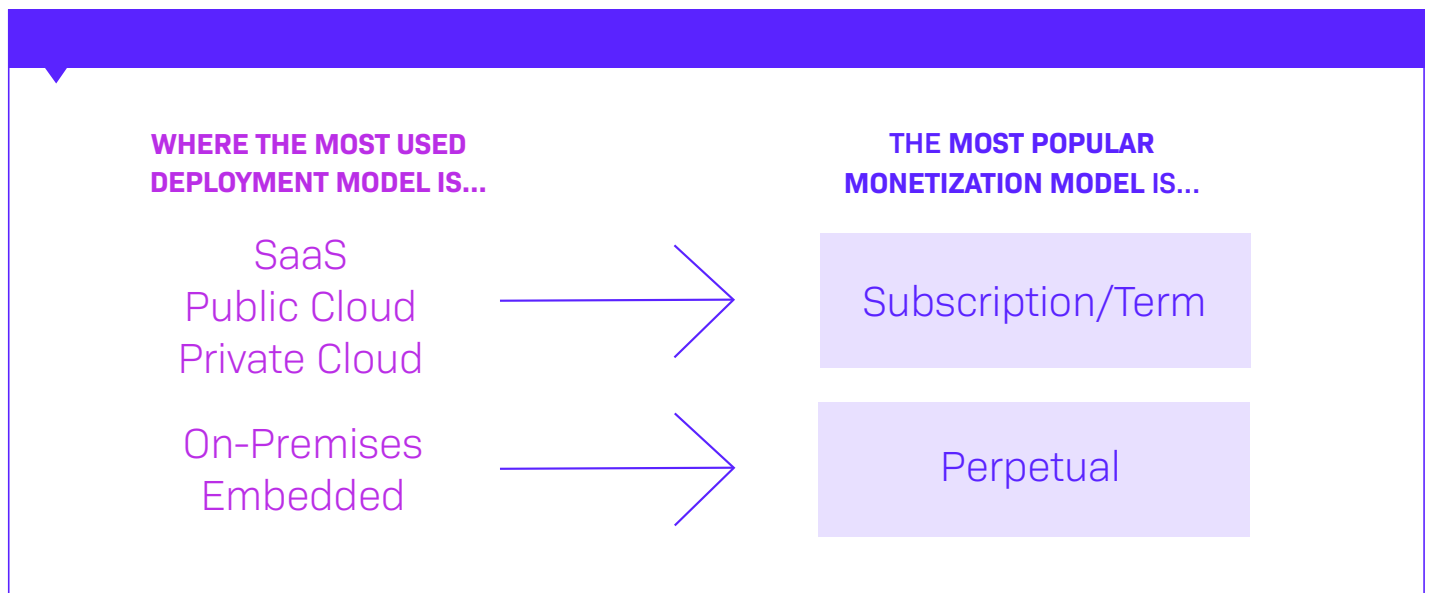
62% of respondents changed monetization models in the last two years to implement a recurring model
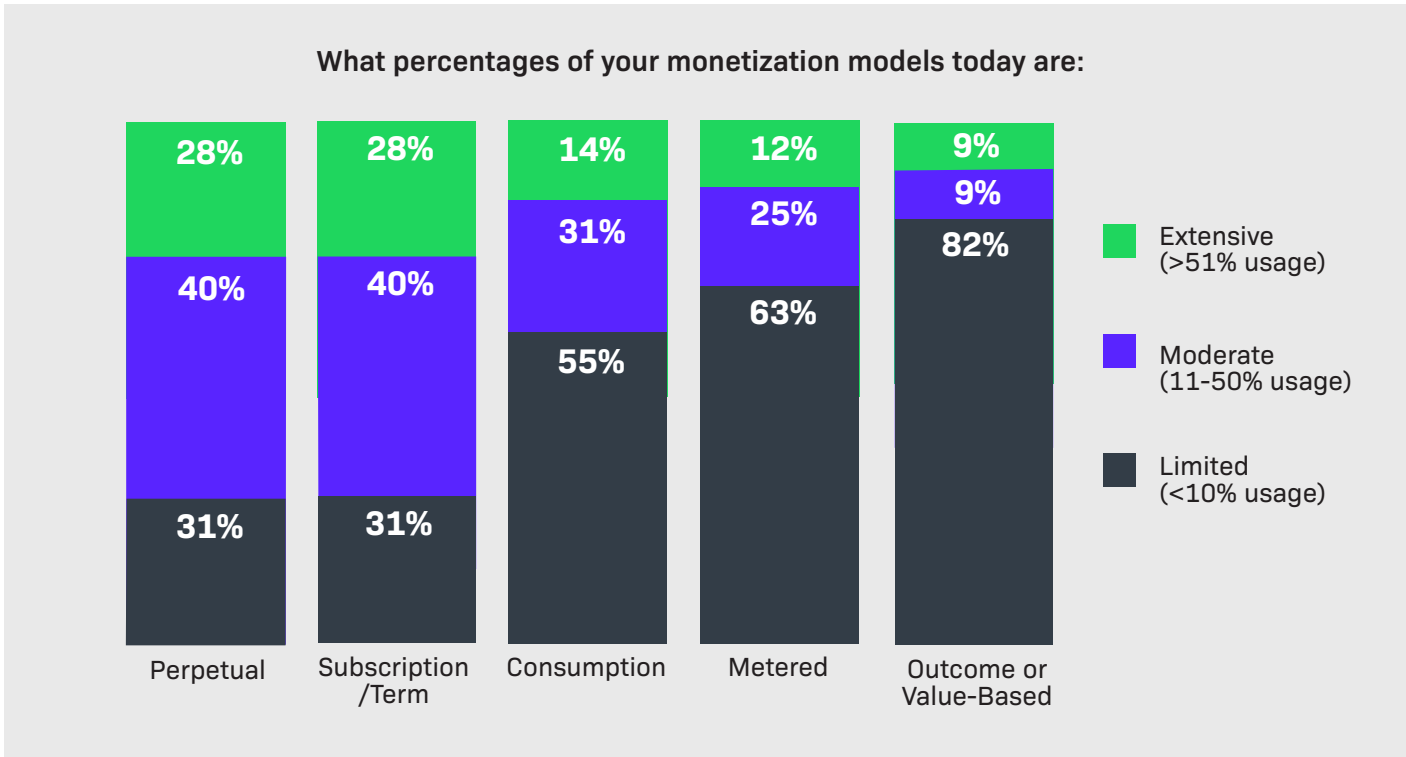
DEFINITION

Hybrid may refer either to a mix of deployment models (e.g., using on-premises deployments in combination with SaaS or cloud deployments) or a mix of monetization (licensing) models (e.g., offering perpetual and subscription/term licenses).

Software Monetization Models Today

For companies that use one model extensively (≥51% of their business), subscription/term and perpetual are tied for the lead. While subscription has grown in popularity recently, perpetual continues to play an important role.

SOFTWARE MONETIZATION MODELS

- **Perpetual:** pay once for unlimited use of your software
- **Subscription:** pay monthly or yearly to use your software (sometimes referred to as term licensing)
- **Consumption (usage):** pay based on actual usage of your software
- **Metered:** pay by pricing metric, such as time spent in an application
- **Outcome or value-based:** pay based on measurable customer value

What percentages of your monetization models today are:

	Extensive (>51% usage)	Moderate (11-50% usage)	Limited (<10% usage)
Perpetual	28%	40%	31%
Subscription/Term	28%	40%	31%
Consumption	14%	31%	55%
Metered	12%	25%	63%
Outcome or Value-Based	9%	9%	82%

31%

Nearly a third of respondents use consumption-based models moderately. An additional 14% use them extensively (≥51% of their business), echoing the 2021 report on increased interest in adopting usage-based models (37%).

Software Monetization Models Tomorrow

Over the next 12-18 months, do you expect the following software monetization models to grow or decline as a percentage of your overall software license revenue?

	Decline	Increase
Subscription/Term	17%	54%
Consumption	15%	41%
Metered	14%	34%
Outcome or value-based	13%	22%
Perpetual	33%	28%
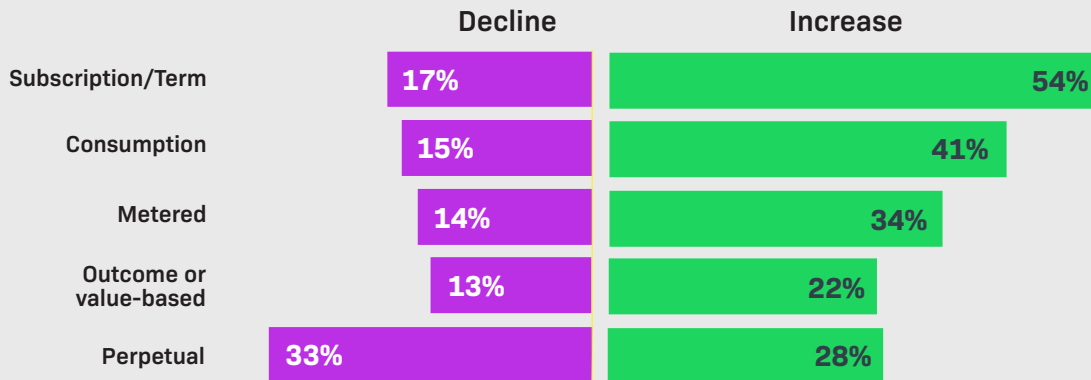
54%

Subscription/term shows the most anticipated growth of any monetization model (reported by 54%), as has been the case in the past three years. This reflects ongoing reliance on this approach.

41%

Consumption-based models also show strong anticipated growth; 41% of respondents expect them to drive an increase in overall software license revenue in the coming 12–18 months. The strongest decrease is likely to come from perpetual models.

Software Deployment Models Today

While on-premises software deployment will have a long tail (with 31% of respondents still making extensive use of this model), growth of the SaaS model is strong (59% of respondents anticipate growth in this model in the next 12-18 months as seen in the next section). The move to SaaS is driven in part by end customer demand for ease of access to the latest version of applications and more flexible models of paying for software (subscription, usage-based, etc.) that often go hand-in-hand with SaaS.

Across all your software lines, what percentage of your deployment models are...:

	SaaS	Public Cloud	Private Cloud	On-premises software	Embedded software
Extensive (>51% usage)	18%	14%	15%	31%	16%
Moderate (11-50% usage)	37%	37%	43%	40%	20%
Limited (<10% usage)	45%	49%	43%	29%	64%

Percentages of Responses

- Extensive (>51% usage)
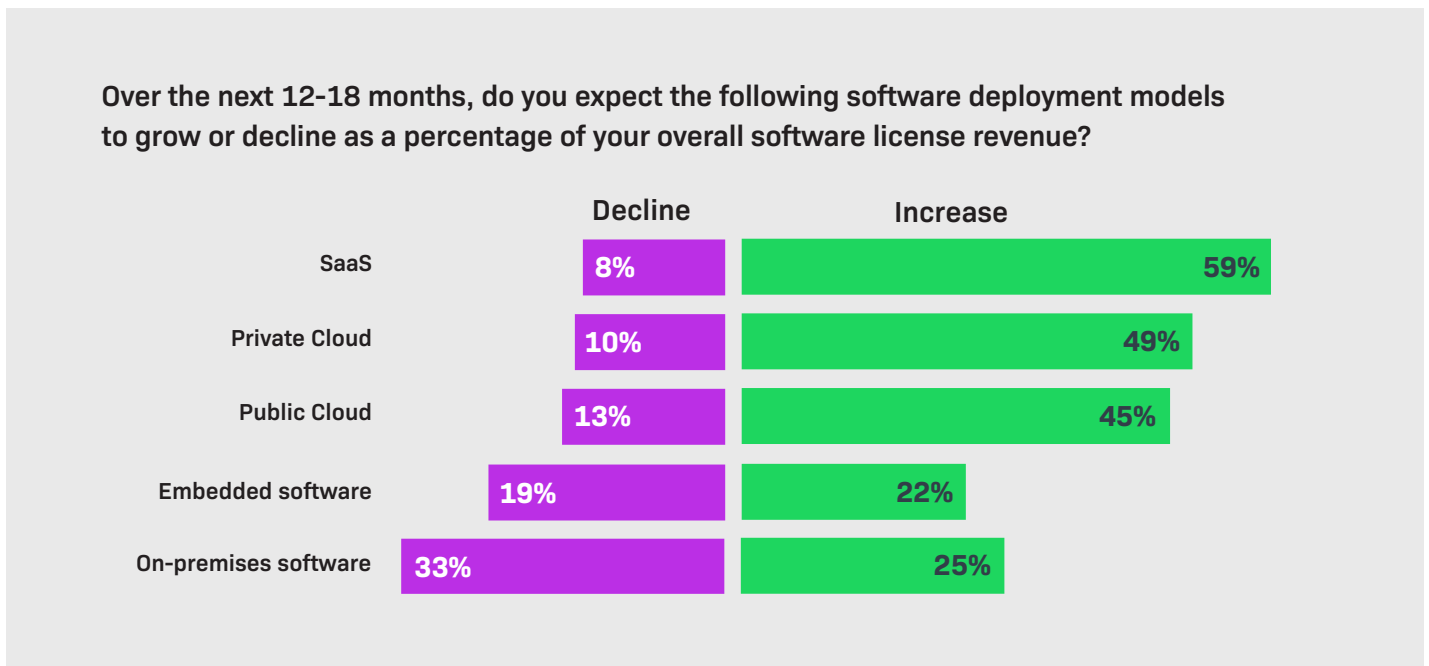- Moderate (11-50% usage)
- Limited (<10% usage)
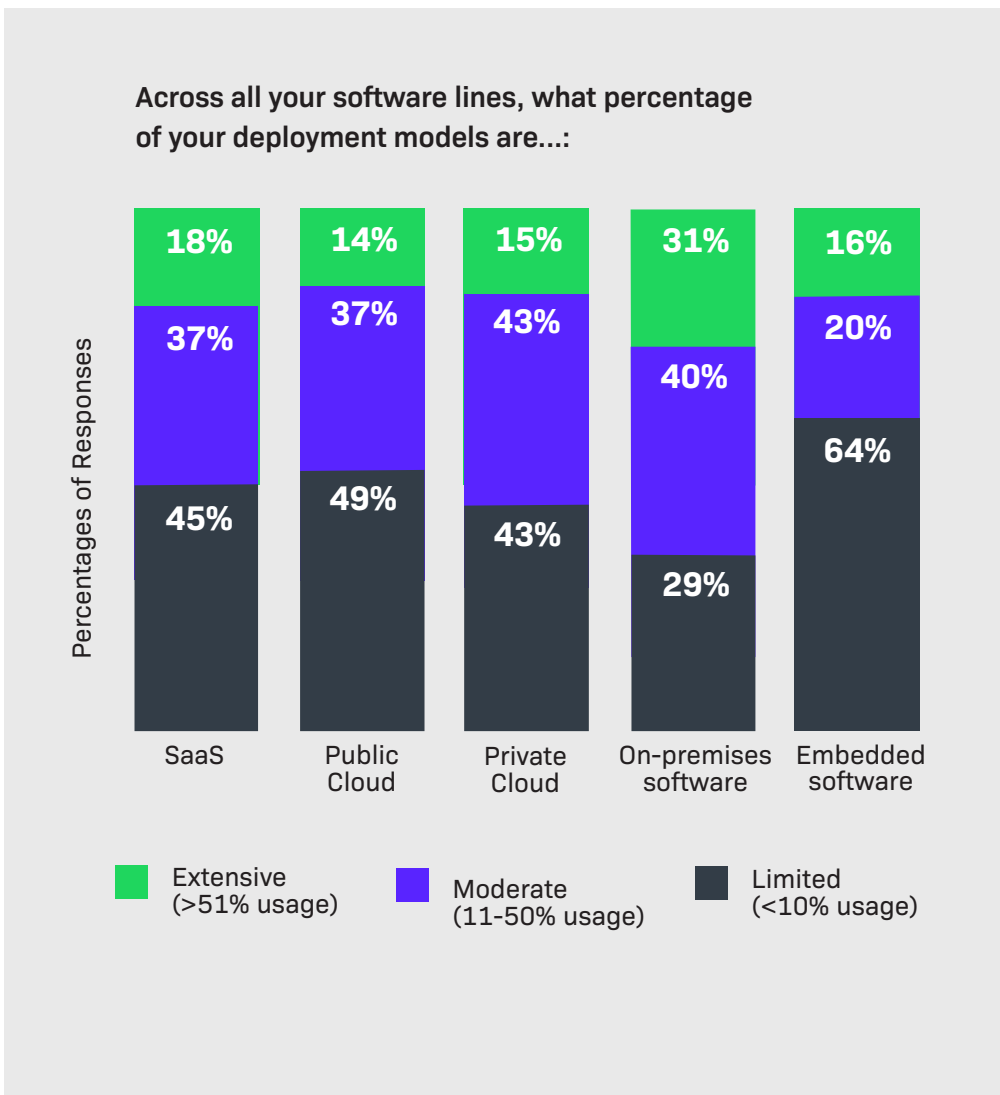
SOFTWARE DEPLOYMENT MODELS

- **SaaS:** Software-as-a-service
- **Public Cloud:** cloud computing using shared infrastructure
- **Private Cloud:** cloud computing using an organization's own infrastructure
- **On-Premises:** applications installed locally
- **Embedded:** software installed in hardware/devices

Software Deployment Models Tomorrow

The move to SaaS will continue: 59% of respondents indicating that reliance on it will increase in the next 12–18 months. Cloud deployments also show strong increases, with use of private cloud and public cloud set to grow for 49% and 45% of respondents, respectively.

The most significant declines come from on-premises (declining for 33% of respondents) and embedded software (declining for 19%).

Over the next 12-18 months, do you expect the following software deployment models to grow or decline as a percentage of your overall software license revenue?

	Decline	Increase
SaaS	8%	59%
Private Cloud	10%	49%
Public Cloud	13%	45%
Embedded software	19%	22%
On-premises software	33%	25%

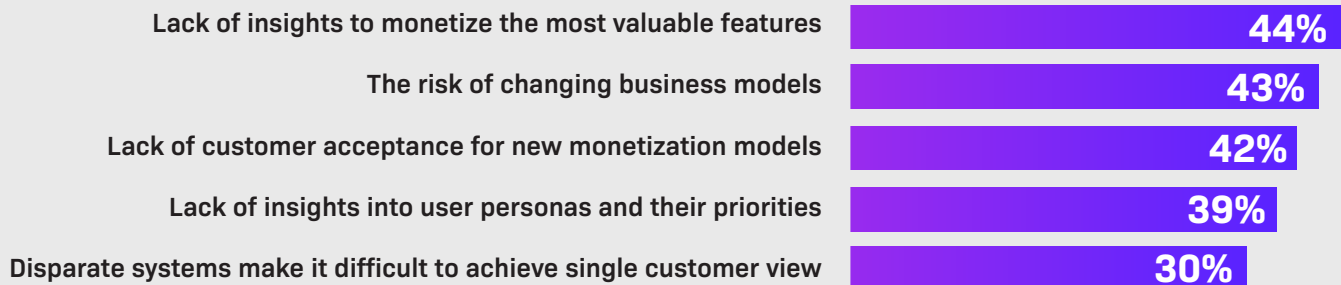# The Persistent Challenge of Aligning Price and Value

How Monetization Models Align Price and Value

32%

Only 32% of respondents feel that pricing is "totally aligned" with the value provided to customers. Successful implementation of outcome-based, metered, and consumption-based models requires that the supplier have clarity into the value being delivered to customers.

Hurdles to Aligning Price and Value

Top Hurdles for Aligning Price and Value

Lack of insights to monetize the most valuable features	**44%**
The risk of changing business models	**43%**
Lack of customer acceptance for new monetization models	**42%**
Lack of insights into user personas and their priorities	**39%**
Disparate systems make it difficult to achieve single customer view	**30%**

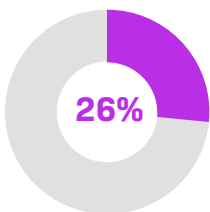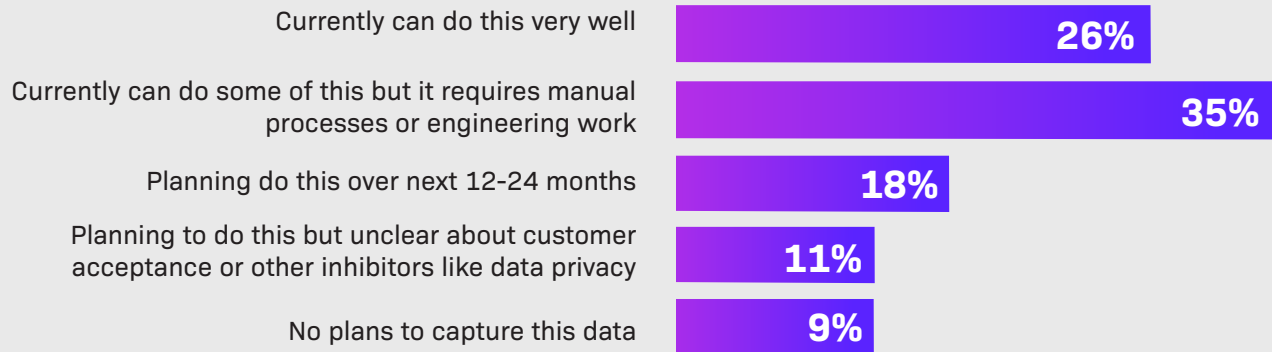# Impact of Product Usage Data Collection Efforts

USAGE DATA IS...

Usage data is valuable for all valuable for all monetization models. It helps product management, marketing, software engineering, sales, customer success, compliance, and senior management teams.

Usage data may be applied for feature prioritization or roadmap development, UI/UX design, beta testing, deprecating features, pricing decisions, software version decisions, and piracy tracking.

The ability to gather product usage data is improving. Respondent reporting that they can currently do some of this, but it requires manual processes or engineering work, decreased from 44% in 2021 to 35% in 2022.

The number of organizations that plan to gather product usage data in the coming 12–24 months is growing, doubling from 2021 to 2022. Concerns about inhibitors, like customer acceptance, are becoming less of a hindrance.

Please rate your organization's ability to gather product usage data

Currently can do this very well	26%
Currently can do some of this but it requires manual processes or engineering work	35%
Planning do this over next 12-24 months	18%
Planning to do this but unclear about customer acceptance or other inhibitors like data privacy	11%
No plans to capture this data	9%

26%

As was the case in 2021, only about ¼ (26%) of respondents indicate that their organization can currently gather product usage data "very well," indicating room for improvement for the majority software suppliers.

The Need for Clarity into Software Usage

The need for clarity into how products are being used is essential for defining meaningful approaches to monetization, customer engagement and satisfaction, proper access to entitlements, and revenue recognition.

2X In the next 12–24 months, 18% of respondents plan to gather product usage data, twice the rate (9%) reported in 2021.

Software usage data collection trends are maturing. Over the past year, reliance on manual interventions dropped by nearly 10 percentage points (44% in 2021 to 35% in 2022), indicating progress away from time-consuming processes.
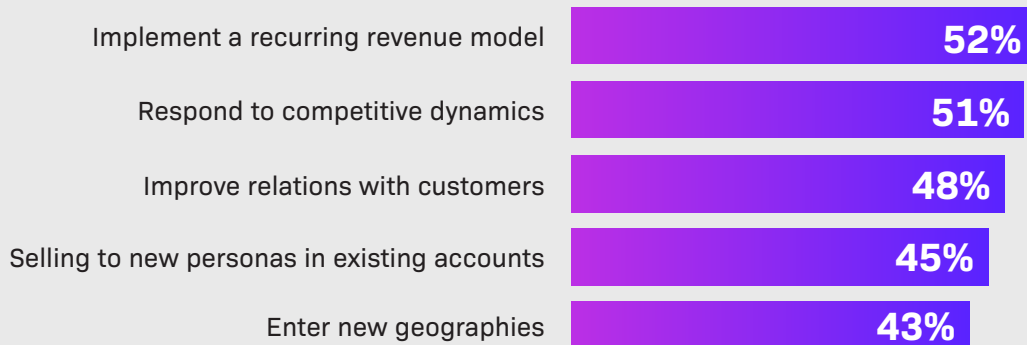
Revenue Growth: Drivers and Strategies

Reasons for Changing Monetization Models

Many software suppliers are changing monetization models to shore up revenue. In addition to 52% that already moved to a recurring revenue model, 48% plan to implement one, up from 38% in 2021.
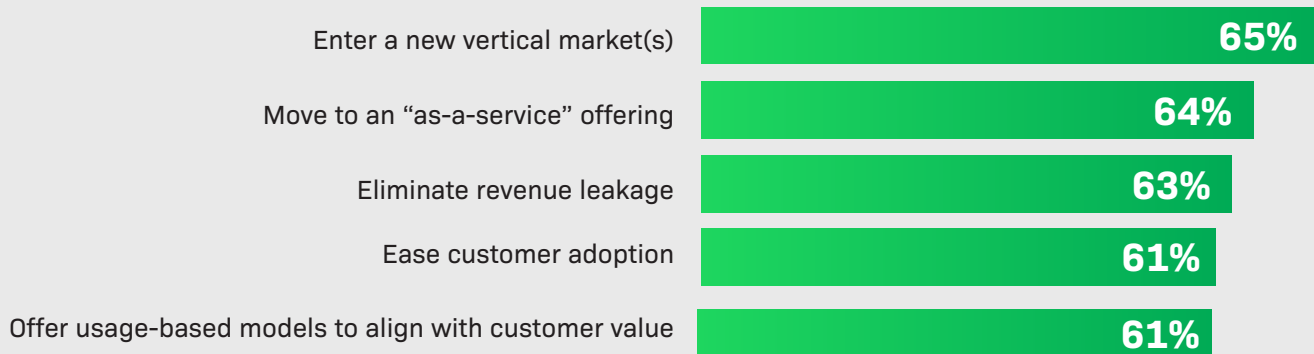
Also noteworthy: the growth of those planning to shift monetization models to "eliminate revenue leakage" (up from 47% in 2021 to 63% in 2022) and "tighten enforcement/compliance" (up from 43% in 2021 to 60% in 2022).

It would also appear that many respondents have already made changes to implement a recurring revenue model, so the drivers of planned change focus more on growing new revenue and eliminating revenue leakage as economic challenges loom ahead.
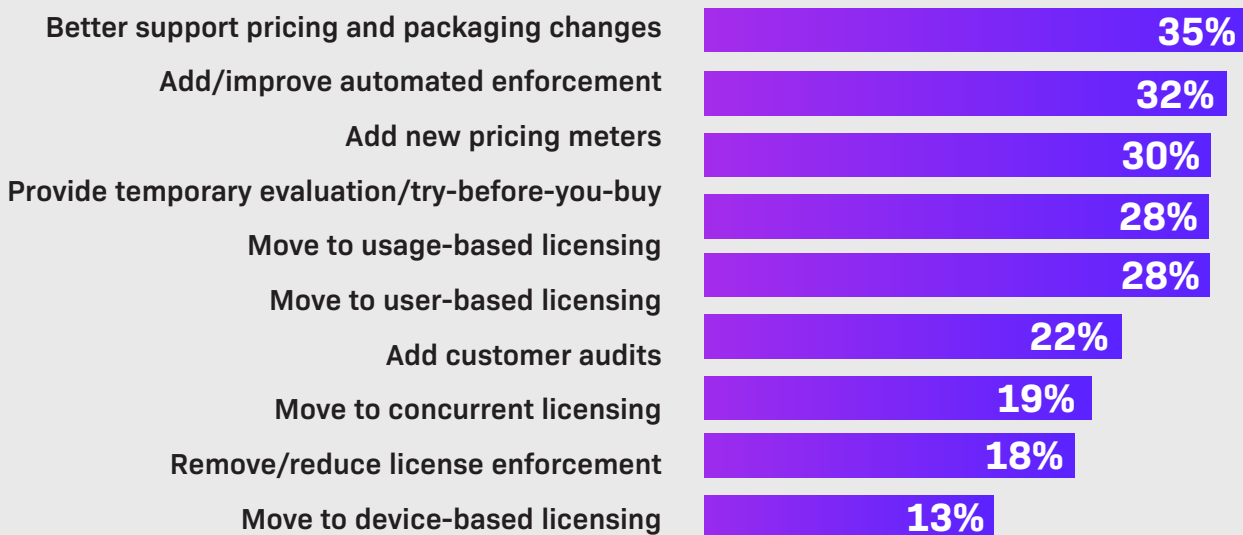
TOP DRIVERS OF COMPLETED CHANGE

Driver	Percentage
Implement a recurring revenue model	52%
Respond to competitive dynamics	51%
Improve relations with customers	48%
Selling to new personas in existing accounts	45%
Enter new geographies	43%

TOP DRIVERS OF PLANNED CHANGE

Driver	Percentage
Enter a new vertical market(s)	65%
Move to an "as-a-service" offering	64%
Eliminate revenue leakage	63%
Ease customer adoption	61%
Offer usage-based models to align with customer value	61%

How Licensing Strategies are Changing

As suppliers move to tighten license controls, accurately price usage, and lower barriers to entry, multiple drivers are in play. Top among the planned changes in the next 12–18 months: "better support pricing and packaging changes."

If your company plans to make changes to monetization strategies in the next 12-18 months, what changes will you be adopting (respondents could select up to 5)?

Change	Percentage
Better support pricing and packaging changes	35%
Add/improve automated enforcement	32%
Add new pricing meters	30%
Provide temporary evaluation/try-before-you-buy	28%
Move to usage-based licensing	28%
Move to user-based licensing	22%
Add customer audits	19%
Move to concurrent licensing	18%
Remove/reduce license enforcement	13%

The move to usage-based licensing continues to be strong. Nearly 1 in 3 respondents (29%) indicated that they'll implement this strategy. Among those respondents whose organizations currently gather product usage data very well, this number goes up to 35%, perhaps indicating that clarity into usage helps drive interest in the accuracy provided through usage-based licensing.

29% Nearly 1 in 3 respondents (29%) indicated that they'll implement usage-based licensing in the next 12-18 months.
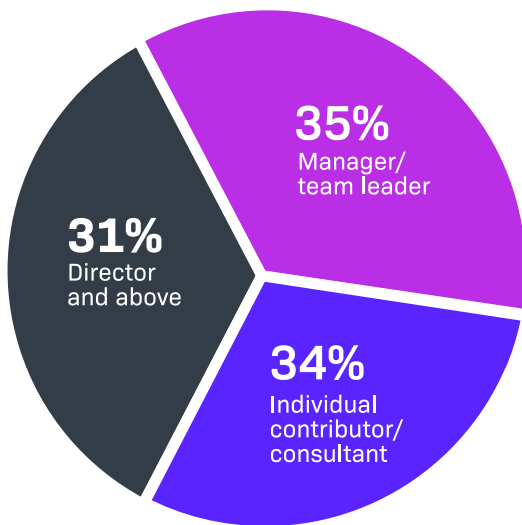
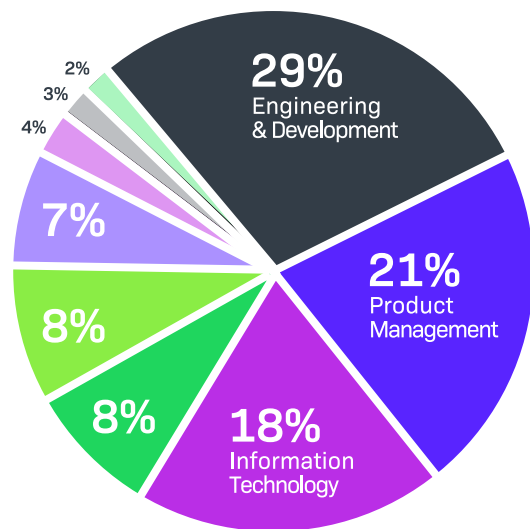**9%** of respondents don't use any licensing technology at all, down from 23% in 2021.

Survey Background

The Revenera Monetization Monitor: Software Monetization Models and Strategies 2022 is based on 261 responses to a survey conducted by Revenera from mid-April through mid-July 2022. This research project looks at software producers' software business models, pricing, usage and transparency. Due to rounding, percentages may not always appear to add up to 100%.
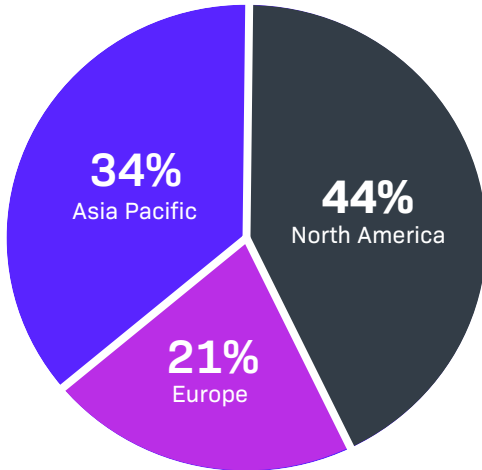
What is your job level?

- **35%** Manager/team leader
- **34%** Individual contributor/consultant
- **31%** Director and above

What is your job function?

- **29%** Engineering & Development
- **21%** Product Management
- **18%** Information Technology
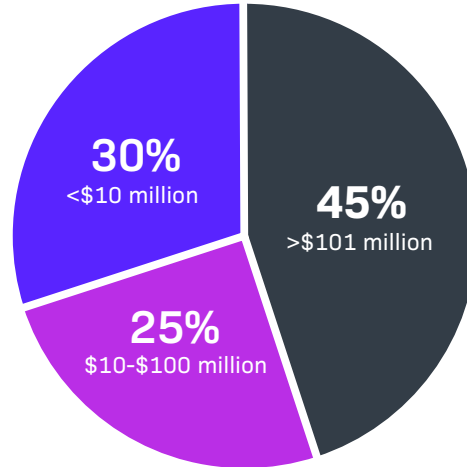- **8%**
- **8%**
- **7%**
- **4%**
- **3%**
- **2%**

Legend:
- Product Management
- Engineering and Development
- Information Technology
- Marketing/Sales
- Finance
- IoT Strategy
- Licensing/Compliance/IP Protection
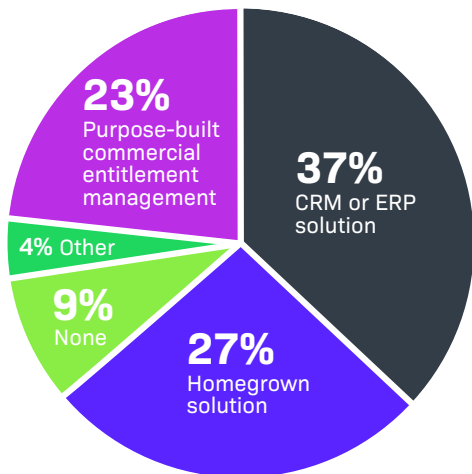- Operations
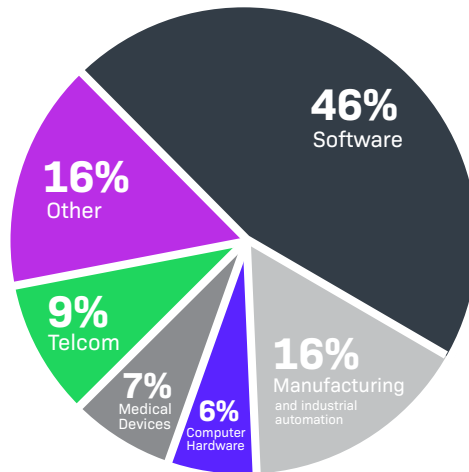- Support

Where are you located?

- 44% North America
- 34% Asia Pacific
- 21% Europe

What's your company's annual revenue?

- 45% >$101 million
- 30% <$10 million
- 25% $10-$100 million

What technologies are you using to manage entitlements?

- 37% CRM or ERP solution
- 27% Homegrown solution
- 23% Purpose-built commercial entitlement management
- 9% None
- 4% Other

What is your industry?

- 46% Software
- 16% Other
- 16% Manufacturing and industrial automation
- 9% Telcom
- 7% Medical Devices
- 6% Computer Hardware

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The Bottom Line

Today's reality is that software customers have varied requirements that are best met through a variety of both monetization and deployment models. The ability to deliver and support hybrid offerings can help software suppliers succeed. One thing remains constant: the need to deliver high-value products that help ensure customer retention.

Managing these offerings requires insights into users' behaviors. A complete software monetization platform that provides clarity into usage data, while simultaneously providing the organizational efficiencies required to support for each model, can help suppliers meet or exceed customers' expectations.

NEXT STEPS

Learn how Revenera can help you protect your applications, manage compliance, understand customer needs and drive recurring revenue.

LEARN MORE >

Insight into software usage analytics will be provided in the next report in the *Revenera Monetization Monitor 2022 series*.

Revenera helps product executives build better products, accelerate time to value and monetize what matters. Revenera's leading solutions help software and technology companies drive top line revenue with modern software monetization, understand usage and compliance with software usage analytics, empower the use of open source with software composition analysis and deliver an excellent user experience—for embedded, on-premises, cloud and SaaS products. To learn more, visit **www.revenera.com**