2012 Key Trends in Software Pricing & Licensing Survey

Sponsored by

FLEXERA
S O F T W A R E®

IDC
Analyze the Future

Contents

2012 Key Trends in Software Pricing & Licensing Survey

The Growing Shelfware Problem
Sponsored by Flexera Software

Survey Background

The *2012 Key trends in Software Pricing and Licensing* survey was conducted by Flexera Software with input from IDC's Software Pricing and Licensing Research division under the direction of Amy Konary, research vice president - software licensing and provisioning at IDC. This annual research project looks at software licensing, pricing and enforcement trends and best practices. The survey reaches out to executives at application producers (Software vendors and intelligent device manufacturers) and enterprises who use and manage software and devices. Now in its eighth year, the survey is made available to the industry at large each year.
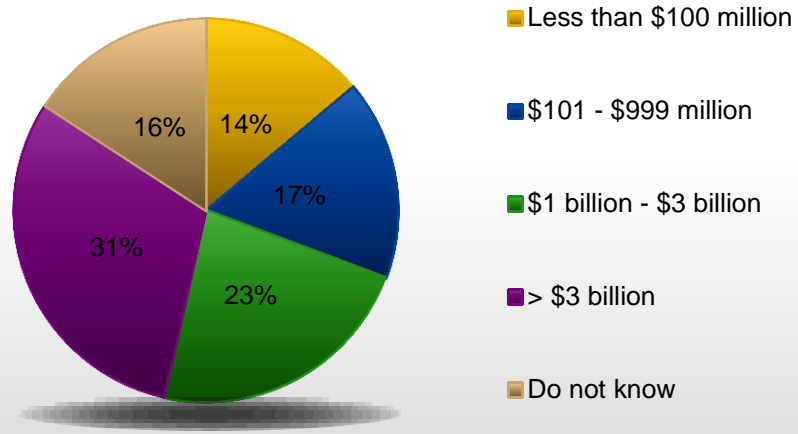
Methodology and Sampling

In total, 334 respondents participated in the survey, including 101 enterprise executives and 233 application producer executives (defined as software vendors and intelligent device manufacturer).

Enterprise Demographics

54% of the enterprise respondents were from larger enterprises of $1 billion or more in revenues and almost one third (31%) were from companies with $3 billion in revenues or more. 45% of respondents were from the United States, 33% were from Europe, and 7% were from Australia.

Which of the following best represents your annual company revenues?

- Less than $100 million
- $101 - $999 million
- $1 billion - $3 billion
- > $3 billion
- Do not know

14%
17%
23%
31%
16%

Application Producer Demographics
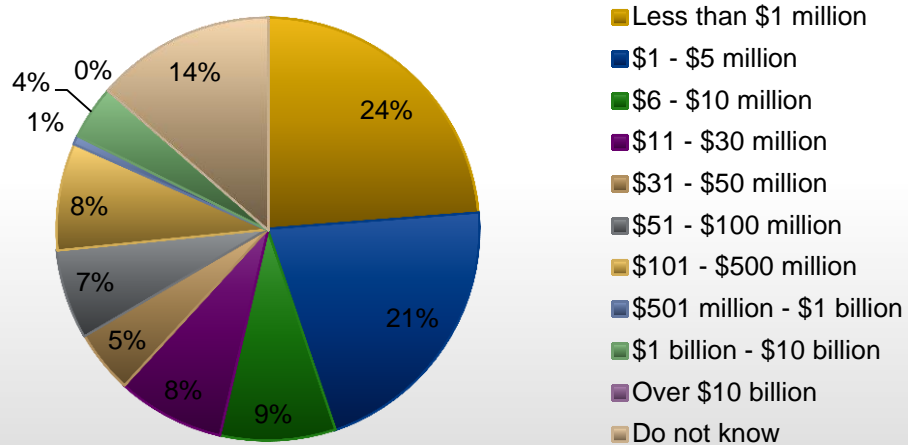
The largest segment of application producer respondents (54%) came from companies with $10 million and under in revenues. 4% of the respondents were from companies with $1 billion or more in revenues. The remainder of respondents was from companies ranging from $11 million to $500 million. 66% were from North America, 17% from Europe, 3% from Asia/Pacific, and 3% from the Middle East.

Which of the following represents your annual software license revenues (including any revenue from subscription software and/or embedded software in hardware devices)?

Legend:
- Less than $1 million
- $1 - $5 million
- $6 - $10 million
- $11 - $30 million
- $31 - $50 million
- $51 - $100 million
- $101 - $500 million
- $501 million - $1 billion
- $1 billion - $10 billion
- Over $10 billion
- Do not know

Pie chart values: 24%, 21%, 9%, 8%, 5%, 7%, 8%, 1%, 4%, 0%, 14%
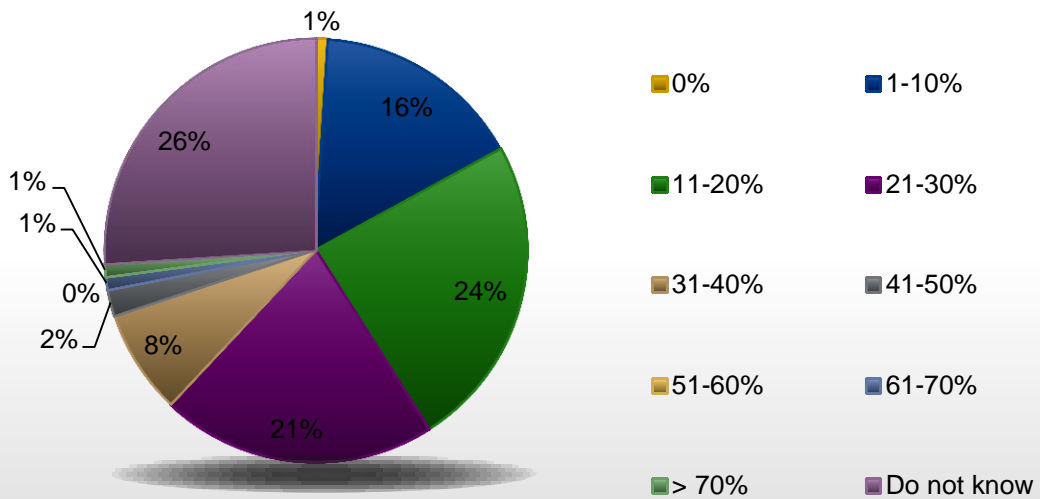
Investment in Software Is Growing

44% of enterprises surveyed indicated that their budgets for software would increase over the course of the next 18-24 months, a slight increase in the software budget growth predictions in 2011 (43%) and 2010 (33%). 24% of enterprises report that between 11-20% of their software budgets are allocated to new software licenses, and 21% of respondents say that 21-30% of their software budgets go to new licenses. 12% say that more than 30% of their total software budget is allocated to new software licenses.

Internal software development also accounts for a proportion of most enterprises' software budgets. 18% of organizations responding to the survey allocate 1-10% of their budgets to internal development; 18% allocate 11-20% of their budgets to software development, and 14% of companies allocate 21-30% of their budgets to it. 25% of enterprise respondents say that more than 30% of their software budget is allocated to internal development.

Looking forward 18-24 months, do you expect your software budgets to...

- Decrease — 15%
- Stay the same — 34%
- Increase — 44%
- Do not know — 7%
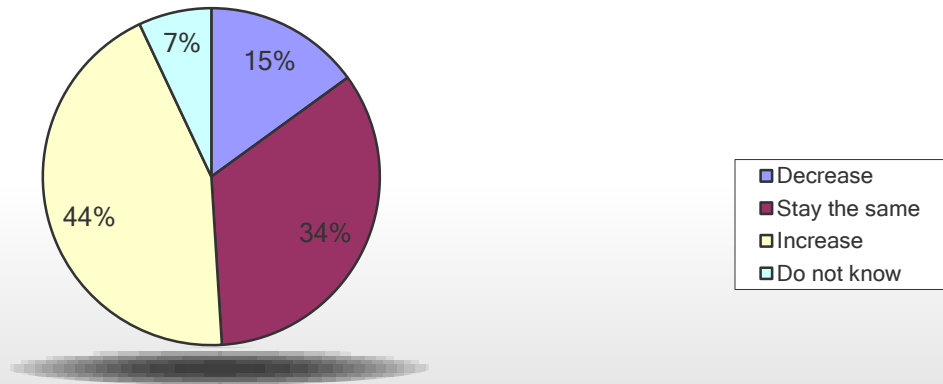
What percentage of your total software budget is allocated to new software licenses?

- 0% — 1%
- 1-10% — 16%
- 11-20% — 24%
- 21-30% — 21%
- 31-40% — 8%
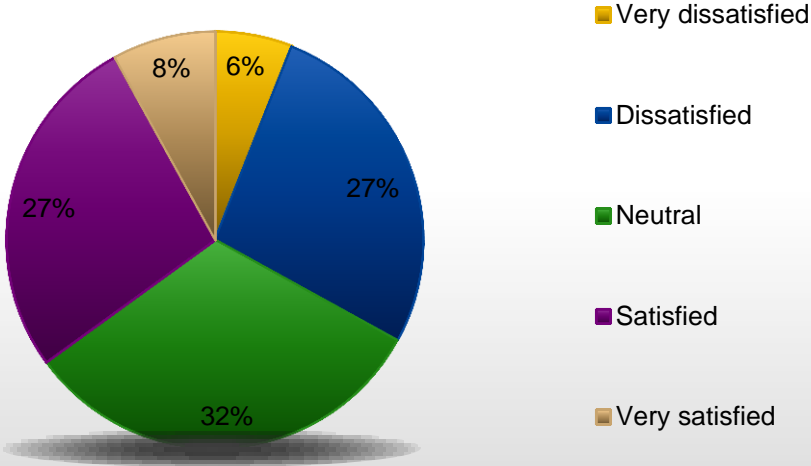- 41-50% — 2%
- 51-60% — 0%
- 61-70% — 1%
- > 70% — 1%
- Do not know — 26%

What percentage of your organization's software budget is allocated to internal development (applications, middleware, etc.) ?

2%

23%

18%

1%

4%

18%

2%

6%

12%

14%

- 0%
- 1-10%
- 11-20%
- 21-30%
- 31-40%
- 41-50%
- 51-60%
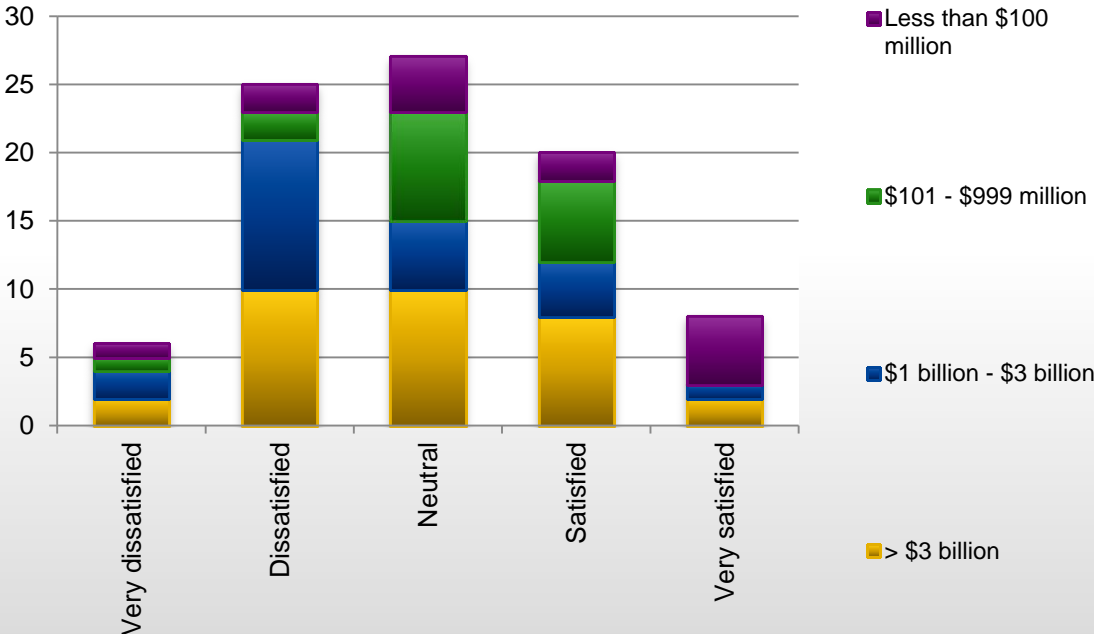- 61-70%
- > 70%
- Do not know
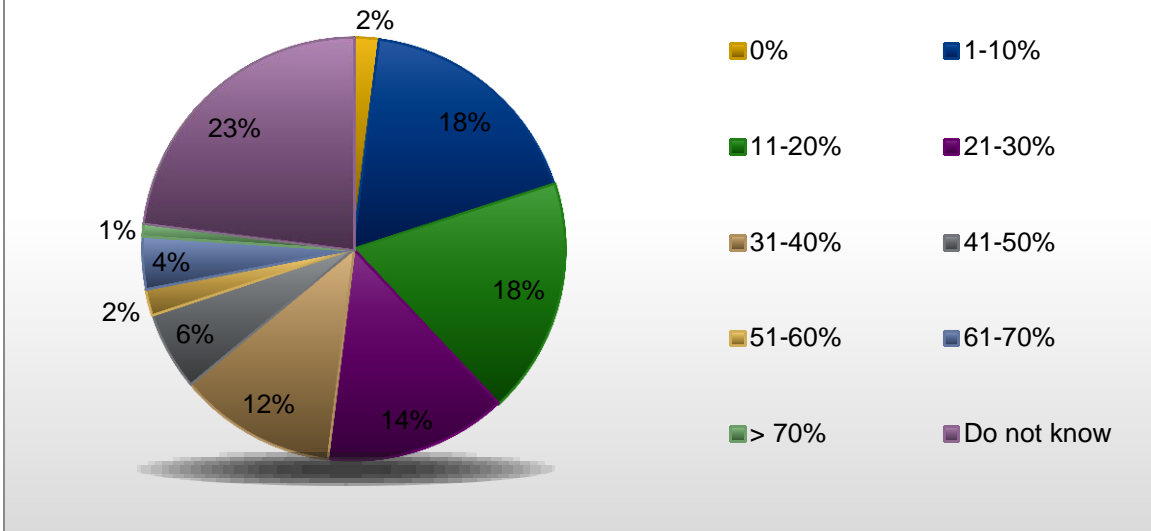
Software License Management Is Critical to Enterprises

33% of enterprises indicated they are either dissatisfied or very dissatisfied with their current method for managing software licenses and usage, while 32% are neutral. Only 35% report being satisfied or very satisfied with their current method – which suggests significant opportunity for providers of software license management and optimization solutions. A cross tabulation of the data based on respondents' organization size indicates that enterprises larger than $1B in revenue are much more likely (over twice) to be dissatisfied with their current method of managing software licenses/usage, than companies with less than $1B in revenue. Almost half (45%) of all of these companies are either dissatisfied or very dissatisfied with their current methods.

If you are currently managing your software licenses/usage, how satisfied are you with the current method?
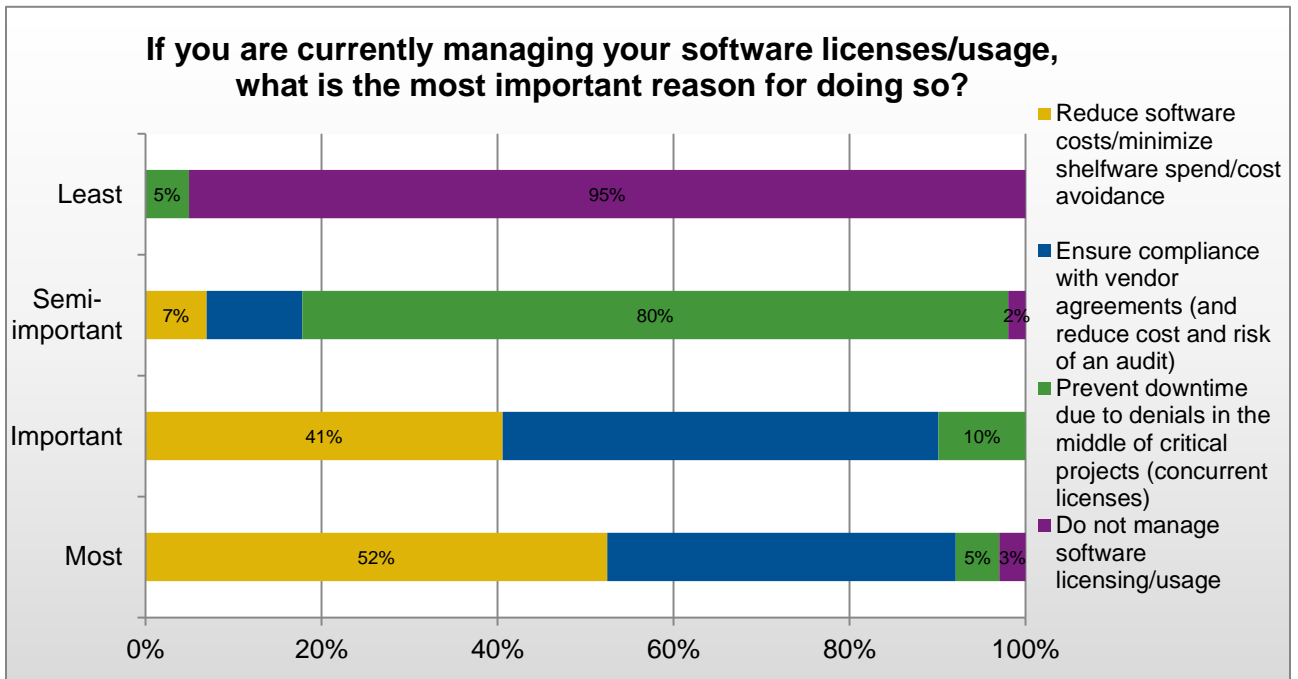

- Very dissatisfied
- Dissatisfied
- Neutral
- Satisfied
- Very satisfied

If you are currently managing your software licenses/usage, how satisfied are you with the current method?

- Less than $100 million
- $101 - $999 million
- $1 billion - $3 billion
- > $3 billion

If you are currently managing your software licenses/usage, what is the most important reason for doing so?

Legend:
- Reduce software costs/minimize shelfware spend/cost avoidance (yellow)
- Ensure compliance with vendor agreements (and reduce cost and risk of an audit) (blue)
- Prevent downtime due to denials in the middle of critical projects (concurrent licenses) (green)
- Do not manage software licensing/usage (purple)

| Category	Reduce software costs	Ensure compliance	Prevent downtime	Do not manage
Least	5%			95%
Semi-important	7%		80%	2%
Important	41%		10%	
Most	52%		5%	3%

Many Enterprises Are Not Optimizing Their Software Licenses

Simply understanding the number of licenses within the license estate tells only a partial story when it comes to software license optimization. Product use rights (i.e. upgrade rights, downgrade rights, secondary use rights, etc.) contained in the software contract detail how software licenses can be used, by whom, in what circumstances and on what devices. Only by optimizing the software license estate – reconciling product use rights with actual usage – can enterprises hope to buy only what they need and use what they have. Accordingly, whether enterprises take into account product use rights in the management of their licenses is an indicator of their ability to remain in compliance and avoid purchasing shelfware.

According to the survey, 30% of respondents familiar with their companies' practices in this regard do not optimize their software estates by reconciling software usage data with product use rights. 53% do, but only for key, high value vendors. Only 17% practice software license optimization across the entire software estate.

Do you apply product-use rights to optimize your organization's software license position?

- Yes, for all vendors — 12%
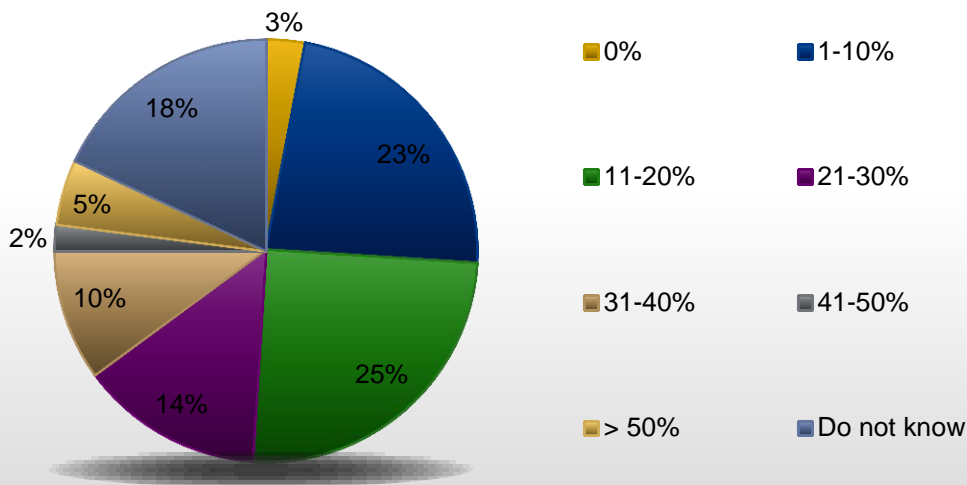- Yes, for key high-value vendors — 37%
- No — 21%
- I don't know — 30%
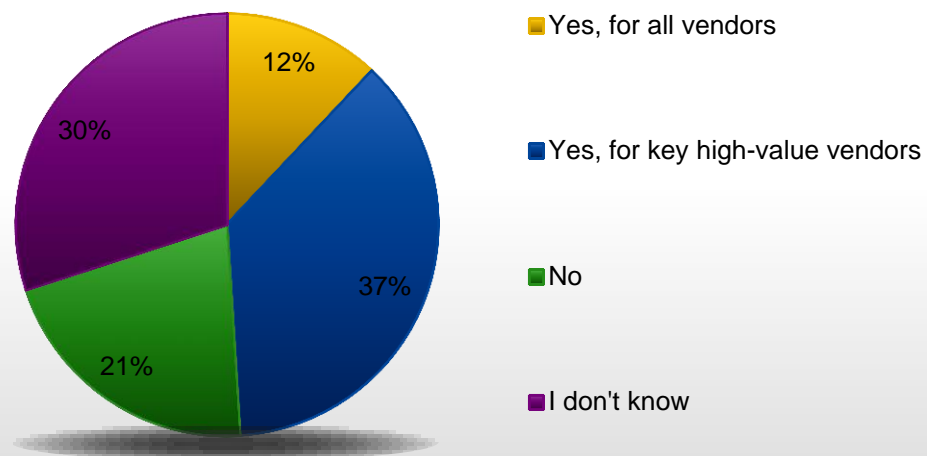
Licensing Complexity Challenges Translate to Shelfware and Non-Compliant Software Use

56% of enterprises say that 11% or more of their application spend is associated with applications that are under-used (shelfware), up from 49% last year. The increases in shelfware point to increasing waste for companies that do not proactively manage and optimize their software license estates.

What percentage of software license spend within your organization do you estimate is associated with applications that are underused (shelfware) and therefore over-licensed?

Legend:
- 0%
- 1-10%
- 11-20%
- 21-30%
- 31-40%
- 41-50%
- > 50%
- Do not know

Pie chart values: 3%, 18%, 5%, 2%, 10%, 14%, 25%, 23%

Software Licensing and Provisioning Research at IDC

IDC's global Software Licensing and Provisioning research practice is directed by Amy Konary. In this role, Ms. Konary is responsible for providing coverage of software go-to-market trends including volume license programs, evolving license models, global price management, and licensing technologies through market analysis, research and consulting. In her coverage of software maintenance, subscription, electronic software distribution and licensing technologies, Ms. Konary has been instrumental in forecasting future market size and growth. Ms. Konary was also the lead analyst for IDC's coverage of software as a service (SaaS) for eight years prior to focusing exclusively on pricing, licensing, and delivery. International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. For more information about IDC, please see www.idc.com

About Flexera Software

Flexera Software is the leading provider of strategic solutions for Application Usage Management; solutions delivering continuous compliance, optimized usage and maximized value to application producers and enterprises. Flexera Software is trusted by more than 80,000 customers that depend on our comprehensive solutions- from installation and licensing, entitlement and compliance management to application readiness and software license optimization - to strategically manage application usage and achieve breakthrough results realized only through the systems-level approach we provide. For more information, please go to: http://www.flexerasoftware.com.

FLEXERA
SOFTWARE

Flexera Software, LLC.
1000 East Woodfield Road,
Suite 400
Schaumburg, IL 60173 USA

Schaumburg (Global Headquarters),
+1 800-809-5659

United Kingdom (Europe,
Middle East Headquarters):
+44 870-871-1111
+44 870-873-6300

Australia (Asia,
Pacific Headquarters):
+61 3-9895-2000

For more locations visit:
www.flexerasoftware.com