

2012 Key Trends in Software Pricing & Licensing Survey

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2012 Key Trends in Software Pricing & Licensing Survey: Software Value Perception Gap

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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.

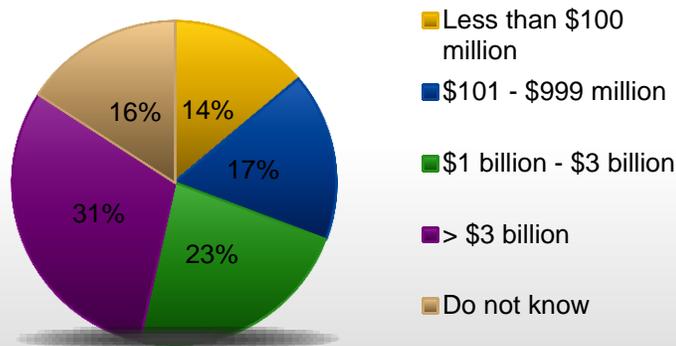
Methodology and Sampling

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.

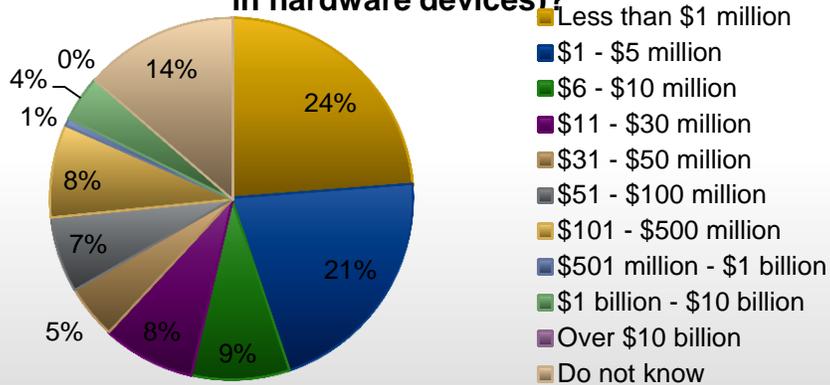
Which of the following best represents your annual company revenues?



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)?

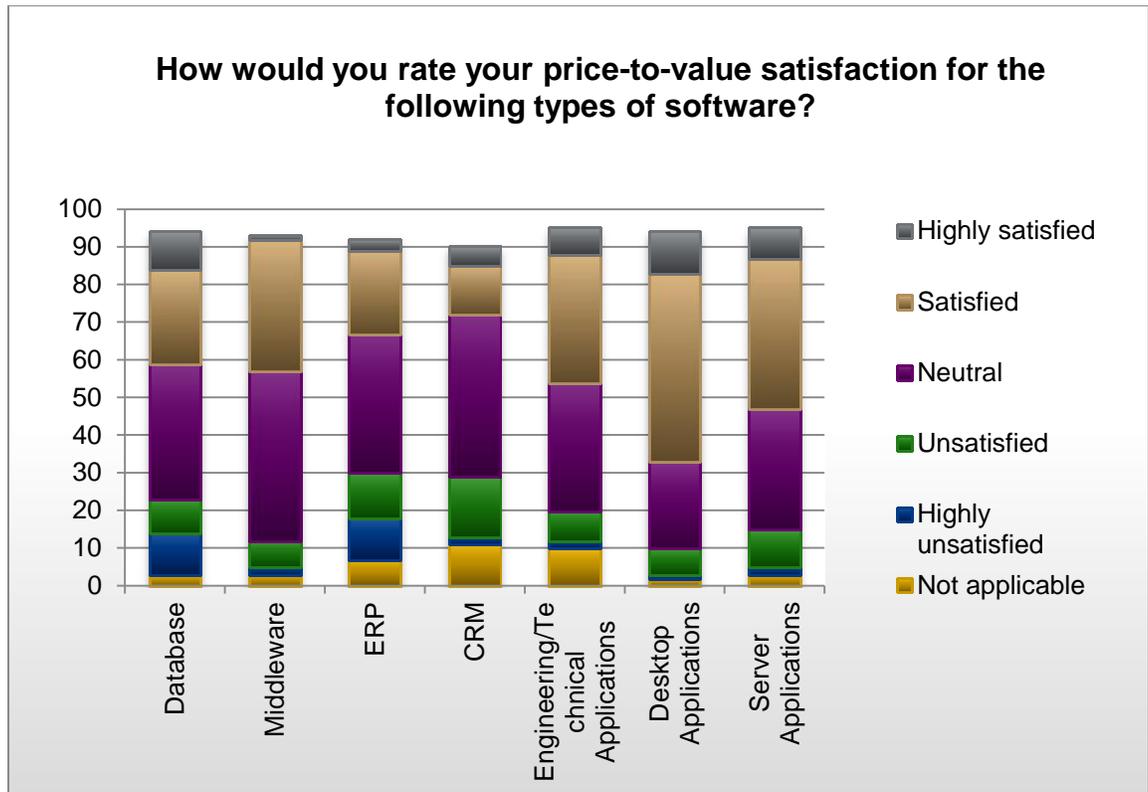


Application producers feel they're delivering more value than they're getting paid for; enterprises say they're receiving less value than they're paying for.

A significant proportion of application producers feel their licensing and pricing strategies are not effective in capturing the value their software provides. In contrast, a good percentage of enterprises register varying levels of dissatisfaction with the price-to-value they receive from their software.

Nearly one quarter (24%) of application producers believe their licensing and pricing strategies are either ineffective or very ineffective. Enterprises indicated most frequently they were either unsatisfied or very unsatisfied with the price-to-value of their ERP software (25%), database software (22%) and CRM software (20%).



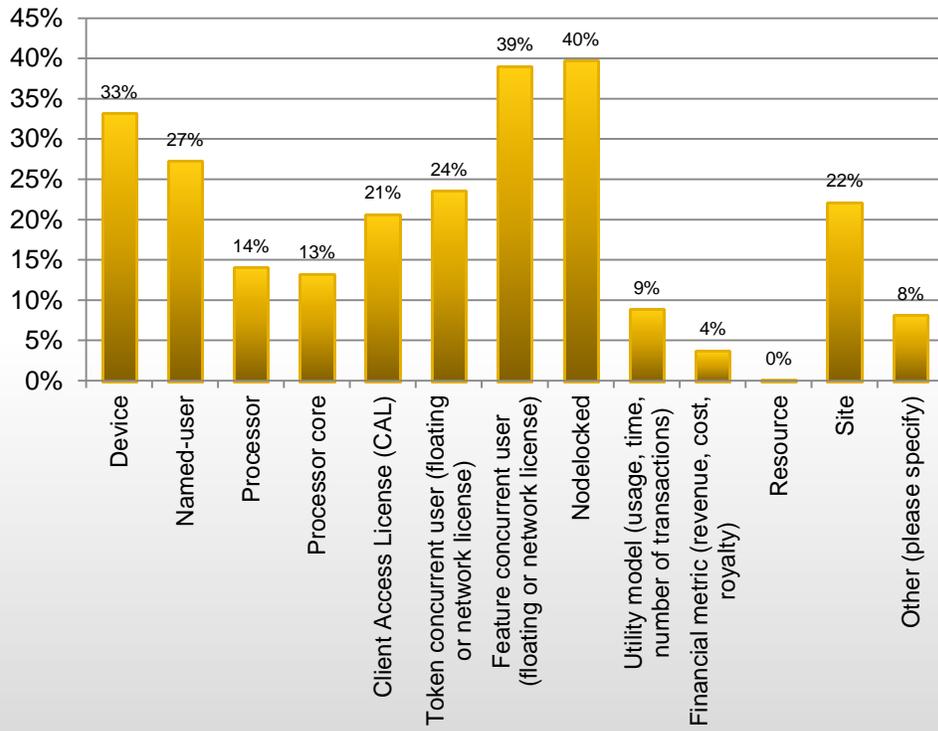


Software producers are offering varied software pricing models such as utility models, which will grow in popularity over the next 18-24 months.

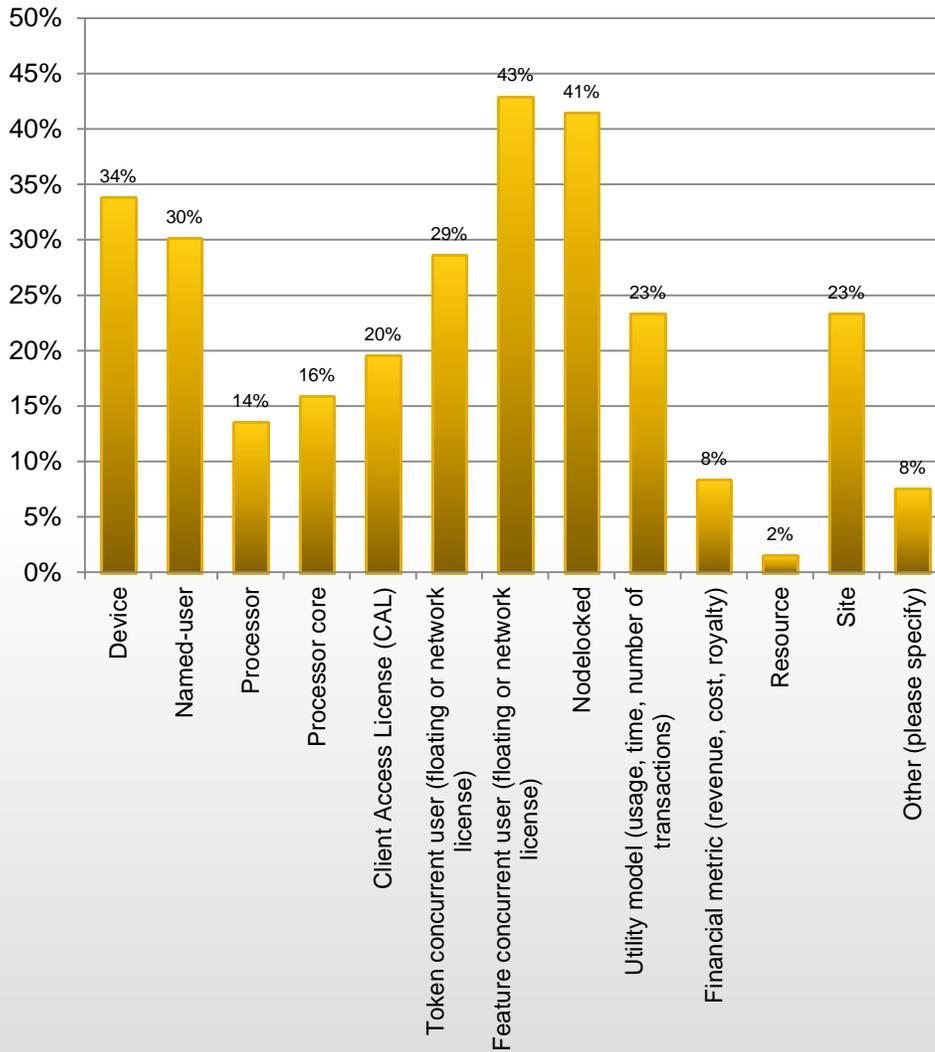
A growing diversity of software pricing models are being demanded by enterprises and provided by application producers, signaling a market trying out new software consumption models.

Application producers currently offer a wide variety of software pricing models, which reflects a great diversity in demand for how enterprises want to consume software. Node locked (40%) and feature concurrent user (floating or network license) (39%) are the most prevalent pricing models. Device (33%), named-user (27%), token concurrent user (floating or network license) (24%), site (22%) and client access license (CAL) (21%) are also popular. Looking out over the next 18-24 months, feature concurrent user (floating or network license) and node locked licensing are expected to remain the most prevalent. However utility model (usage, time, number of transactions) is expected to grow by 23%, further signaling increased interest in usage-based pricing.

Which pricing models do you offer today? Products that are priced per...

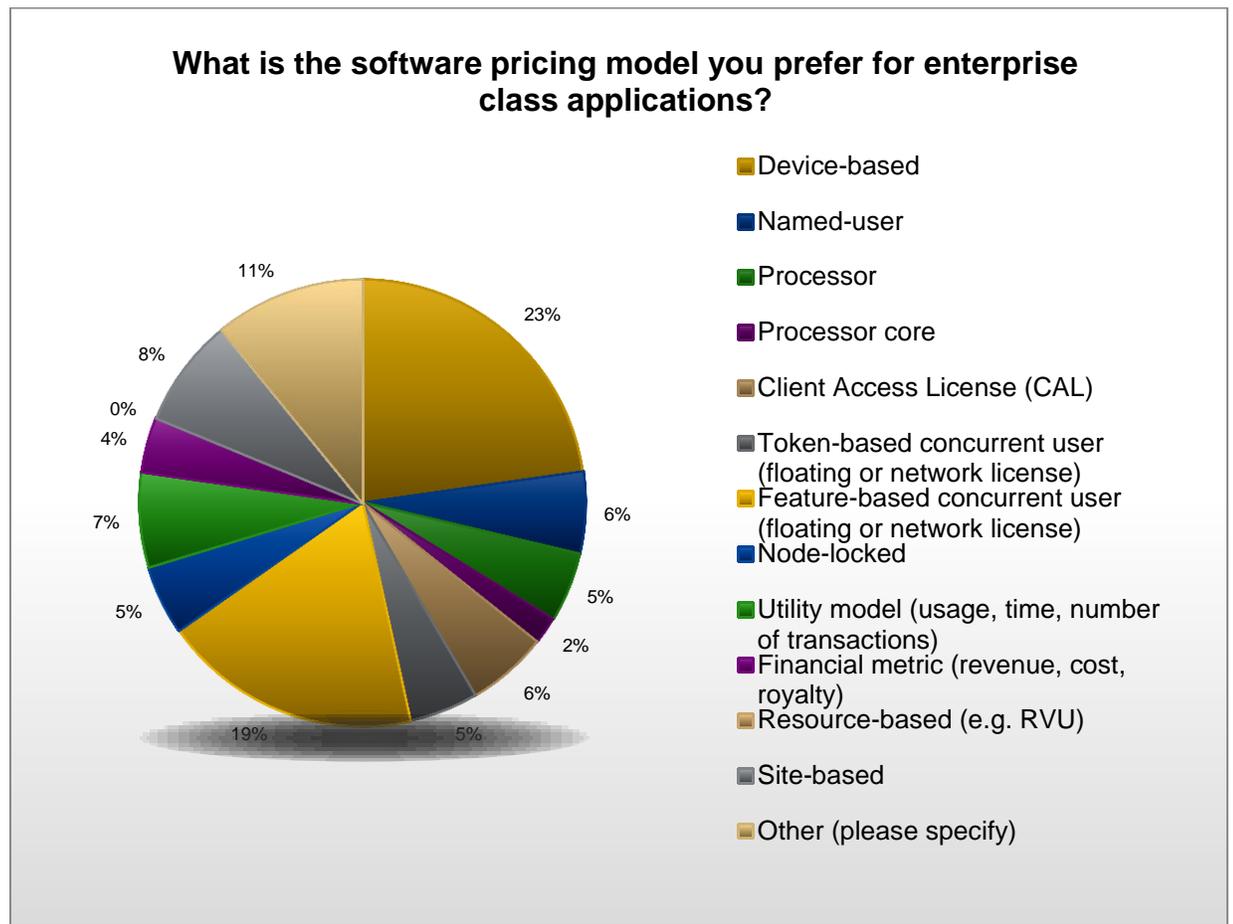


Looking forward in the next 18-24 months, which pricing models do you expect to offer? Product that is priced per...



Enterprises demand a variety of pricing models.

The diversity of licensing models offered by producers makes sense as we examine enterprises' pricing model preferences. Device-based pricing (23%) and feature-based concurrent user (floating or network license) (19%) are the most popular pricing models with enterprise respondents. Enterprises also prefer site-based (8%), utility model (usage, time, number of transactions) (7%), named user (6%) and client access license (CAL) (6%). The diversity of responses indicates enterprises place different value on software depending on business need.

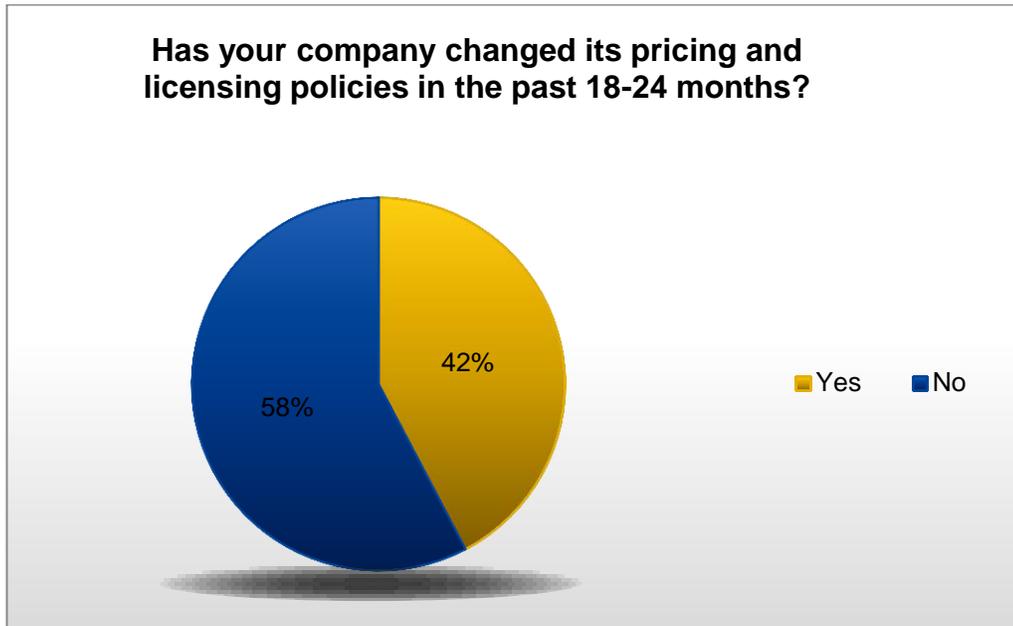


Producers are trying to maximize revenues and close the value-to-satisfaction gap.

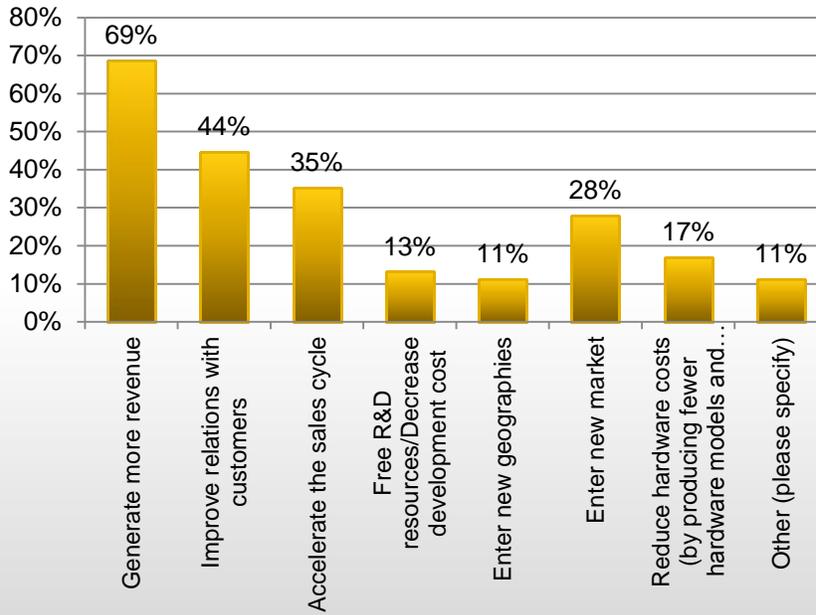
Application producers are changing their licensing and pricing strategies in order to strike the difficult balance between maximizing revenue streams and increasing customer satisfaction.

42% of application producers report that over the past 18-24 months, their software pricing and licensing strategies have changed. The most cited reason for the change was to generate more revenues (69%), an increase of 28% over 2011, perhaps indicating the challenges faced by producers in this down economy. Other reasons cited for the changes were to improve customer relations (44%), to accelerate sales cycles (35%) and to enter new markets (28%). Larger producers were more likely to have changed their pricing and licensing policies in the last 18-24 months. Only 30% of the very small producers (less than \$5M in revenue) had done so, while nearly 60% of the larger producers did so.

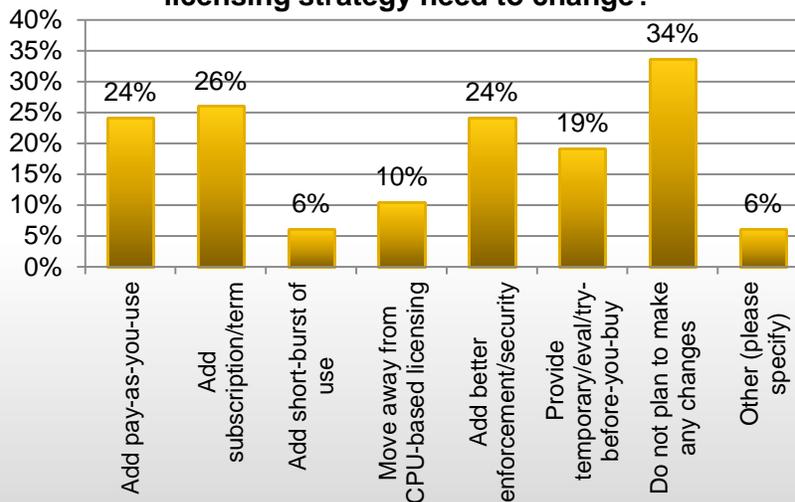
Change remains the norm for the immediate future. When asked how licensing and pricing strategies would change over the next 18-24 months, application producers said they would add subscription/term licensing (26%), better enforcement or security (24%), pay-as-you-use (24%) and temporary/evaluation/ "try-before-you-buy" licensing (19%).



If you answered "Yes", explain why:



In the next 18-24 months, in what ways will your licensing strategy need to change?



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>.



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