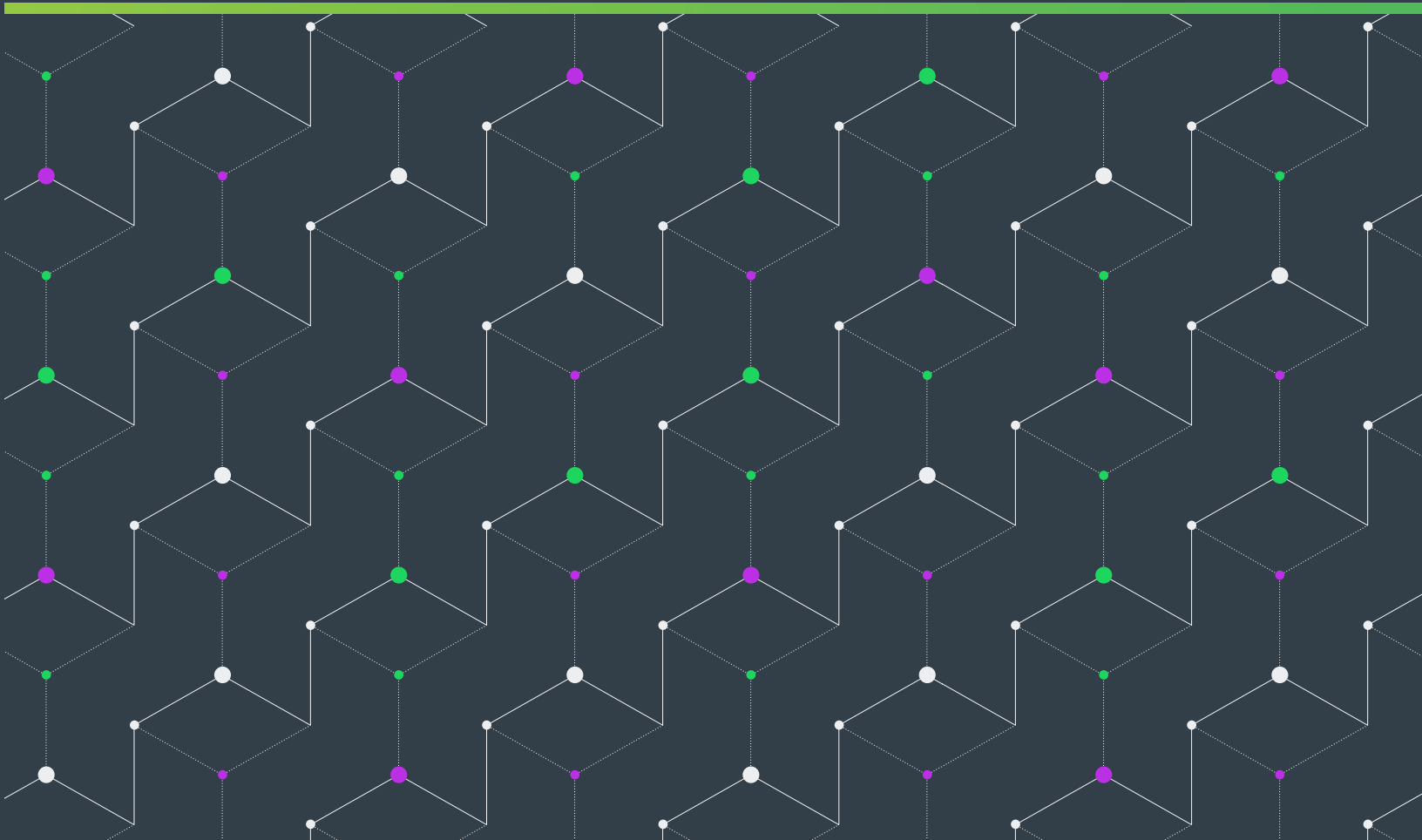


Revenera Monetization Monitor

Software Monetization Models and Strategies 2025 Outlook



Executive Summary

Profitability is in sharp focus for technology companies, as ‘growth at all costs’ mindsets fade. These businesses are offering greater flexibility to win market share and boost retention.

The picture is clear: suppliers need to provide the software monetization models that meet customers’ needs, deliver business agility, and combat the risk of subscription fatigue. Subscription/term continues as the leading monetization model among companies that use one model extensively; it’s also the monetization model anticipated to grow most as a percentage of overall software license revenue in the coming year and a half. Outcome- and usage-based models are also anticipated to grow.

Deployment approaches merit close attention. SaaS, growing in popularity, is the most widely used deployment model, with 86% using it at least moderately (including 27% using it extensively). Nearly 3/4 of respondents transitioned multiple products to SaaS; 85% transitioned or are transitioning software products from on-premises to SaaS deployments. But SaaS faces competition from private cloud deployments: 82% use it at least moderately (including 33% using it extensively) and it is the deployment model showing greatest anticipated growth.

Software business growth requires consideration of the full software monetization landscape. Software suppliers must focus on insights from software usage data to improve the alignment between price and value, speed time-to-market, and meet revenue goals. Adaptations to product marketing and pricing strategies are essential to offset increasing expenses, while driving profits, recurring revenue, and SaaS profitability.



Subscription/term is the most popular monetization model.



Hybrid software deployment models are on the rise.



SaaS deployments are extensive, edging out on-premises deployments, while reliance on private cloud grows.

Incorporating and monetizing artificial intelligence (AI) offerings also puts pressure on suppliers to monitor surging cloud costs and identify plans to effectively monetize AI. Streamlined operations and insights into things like software usage can help improve revenue and profits. Suppliers also have the opportunity to introduce new models, such as token-based monetization, that can provide insights into the appeal of different models and can meet customers' current buying preferences.



More than ½ of respondents lack insights into user personas and their priorities.



Improving revenue margins/company valuation is the main reason companies changed monetization models; future changes will support intelligent device models.

The *Reverera Monetization Monitor 2025 Outlook Series*

This report is part of an annual series focusing on software monetization first published in 2019. This report focuses on software monetization models and strategies. Subsequent reports in the *Reverera Monetization Monitor 2025 Outlook* series will address *Software Usage Analytics* and *Software Piracy & Compliance*. All reports are based on the results of a global survey of 418 product leaders at global technology companies conducted by Reverera from May through July 2024.



Delayed time-to-market is the biggest blocker to growing annual recurring revenue.

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Software Monetization Models and Strategies* illuminates:

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SaaS Deployments & Subscription Monetization: Cornerstones of Hybrid Software Programs

Hybrid Monetization and Deployment Approaches

Using a mix of monetization and deployment approaches continues to be common for software suppliers. Overall, subscription/term monetization is the most popular.

To manage entitlements/use rights, 55% of respondents use a commercial entitlement management solution as their main technology, 37% leverage other systems (such as a CRM or ERP), and 8% use a homegrown solution. Today 54% of respondents use the same software monetization (licensing, provisioning, and entitlement management) technology for all of their product lines. Many, though, use varied monetization technologies or disparate systems: 15% use different technologies across product lines and 31% use different technologies based on deployment models.

WHERE THE MOST USED DEPLOYMENT MODEL IS...	THE MOST POPULAR MONETIZATION MODEL IS...
SaaS	Subscription/Term
Public Cloud	Subscription/Term
Private Cloud	Subscription/Term + Perpetual (tie)
On-Premises	Subscription/Term + Consumption (tie)
Embedded	Perpetual

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

Subscription/term monetization continues to be popular among software suppliers and their customers. As was the case a year ago, it is the leading monetization model among companies that use one model extensively ($\geq 51\%$ of their business) and it is the most widely used model, with a total of 88% using it at least moderately.

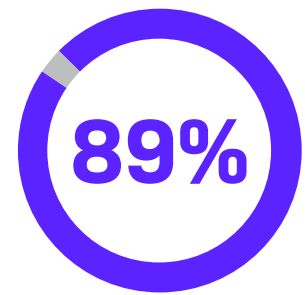
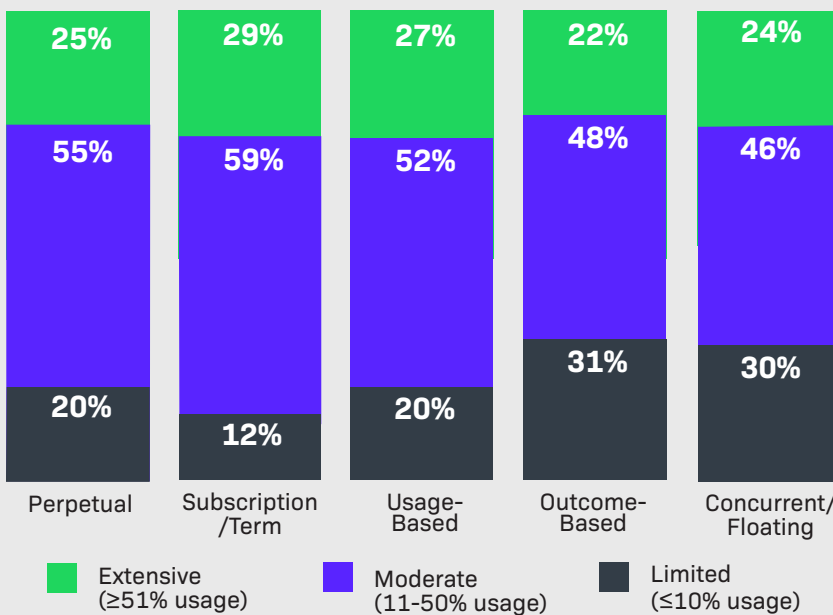
Perpetual monetization remains widely used as well, though this number is decreasing. A year ago, a combined 88% used perpetual licenses at least moderately; the number has dropped to 80% in the present research.

Usage-based models, including consumption and metered, are holding strong. With more than a quarter (27%) of suppliers now relying on usage-based monetization models extensively and a total of 79% using it at least moderately, the importance of gathering accurate usage data is growing, as it is essential for accurate pricing. Extensive reliance on usage-based pricing is more prevalent over the past year, while a modest dip in extensive use of subscription/term may indicate that the flexibility of pay-per-use is being relied upon to deliver the flexibility customers want.

SOFTWARE MONETIZATION MODELS

- **Perpetual:** pay once for unlimited use of your software
- **Subscription/Term:** pay monthly or yearly to use your software
- **Usage-based:** monetization models that are defined by usage metrics (e.g., consumption, pay-per-use, credit-based tokens, elastic access, metered, etc.)
- **Outcome-based:** pay based on measurable customer value or outcome
- **Concurrent/Floating:** a specified number of users can access your software at the same time.

What percentages of your monetization models today are:



Reliance on subscription/term monetization continues: 89% of respondents (up from 82% a year ago) use subscription/term monetization models at least moderately.

Software Monetization Models Tomorrow

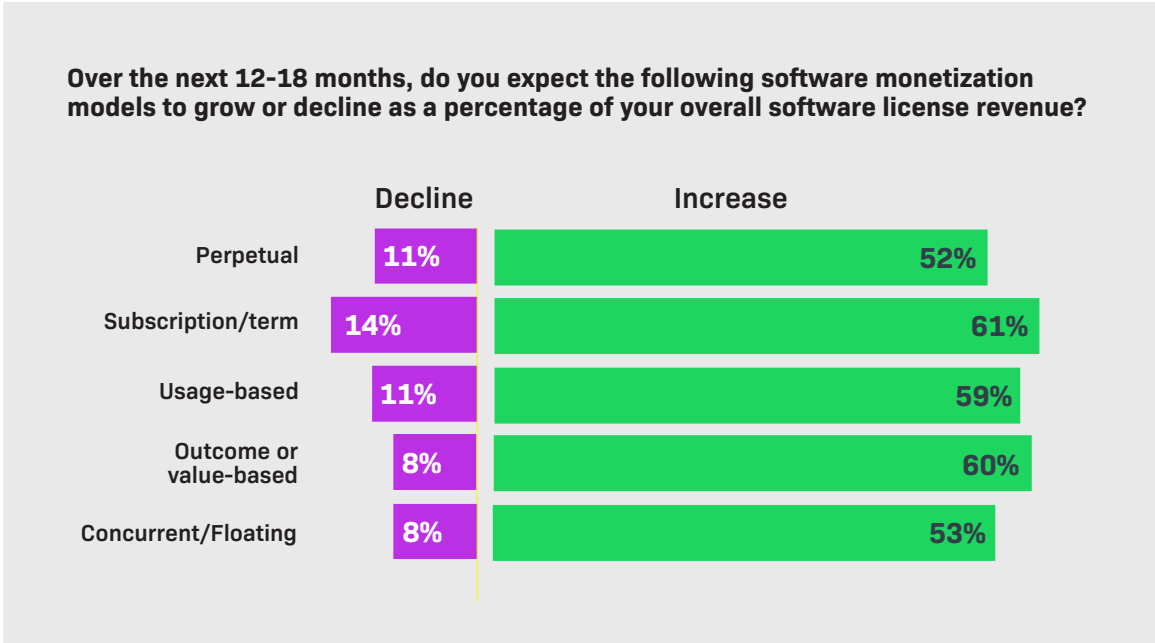
Subscription/term monetization continues to be popular, with 61% of respondents indicating that this model will grow as a percentage of overall software license revenue in the next 12–18 months.

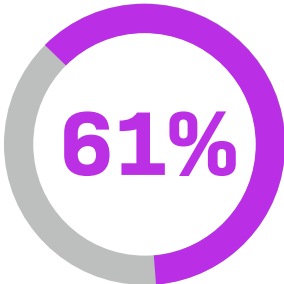
Even with this growth in subscription, perpetual monetization remains popular, with a long-tail that keeps getting longer. A year ago, 45% anticipated that this model would grow in the coming 12–18 months; this number has gone up to 52%.

With concurrent/floating, usage-based, and outcome or value-based monetization models all also showing strong anticipated growth, suppliers are set to be offering hybrid approaches to monetization.

WHAT DO YOU CALL...?

Varied terms are used to describe how access to software is controlled. **Licensing, use/usage rights, entitlements, and access rights** are often used nearly interchangeably.





Subscription/term is the monetization model showing the most anticipated growth in the coming 12–18 months.

Right behind subscription is outcome-based, with 60% of respondents anticipating increased use. **Product managers** anticipate even greater expansion of outcome-based monetization models, with 67% anticipating its growth.

Software Deployment Models Today

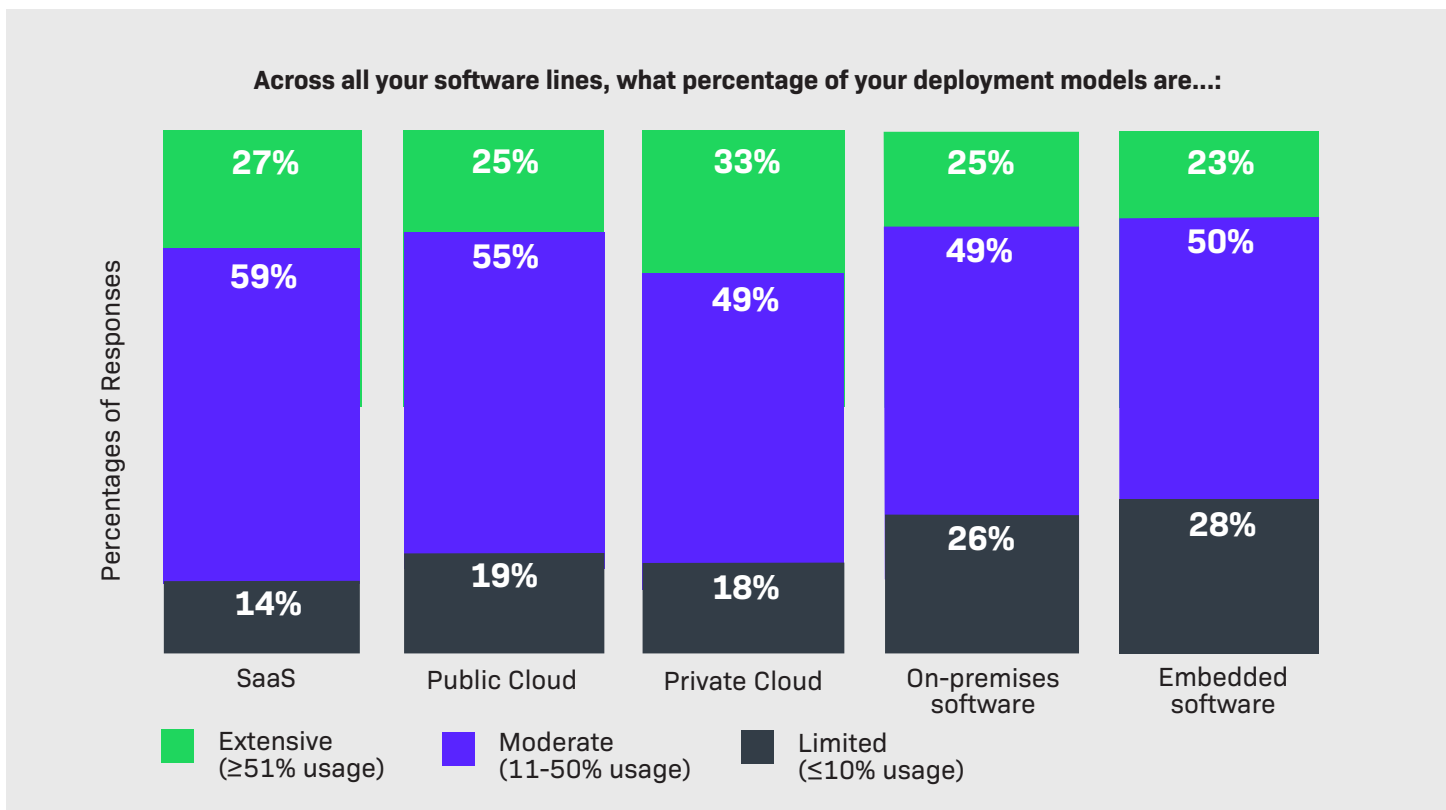
Use of hybrid software deployment models continues. SaaS is still in the lead as the most widely used deployment model, with 86% using it at least moderately, up from 80% a year ago.

The number using SaaS extensively (for more than 51% of their product lines), 27%, slightly edges out on-premises (25%). This is an ongoing race between these two models, illustrating that SaaS is being embraced, while on-premises software's staying power remains.

The number of respondents using private cloud extensively is going up significantly. A year ago, 20% of respondents reported using private cloud extensively; that number went up to 33%, today, making private cloud the deployment model being used most extensively. As cloud deployments rise, software producers need to raise their awareness of cloud costs in order to focus on profitability.

SOFTWARE DEPLOYMENT MODELS

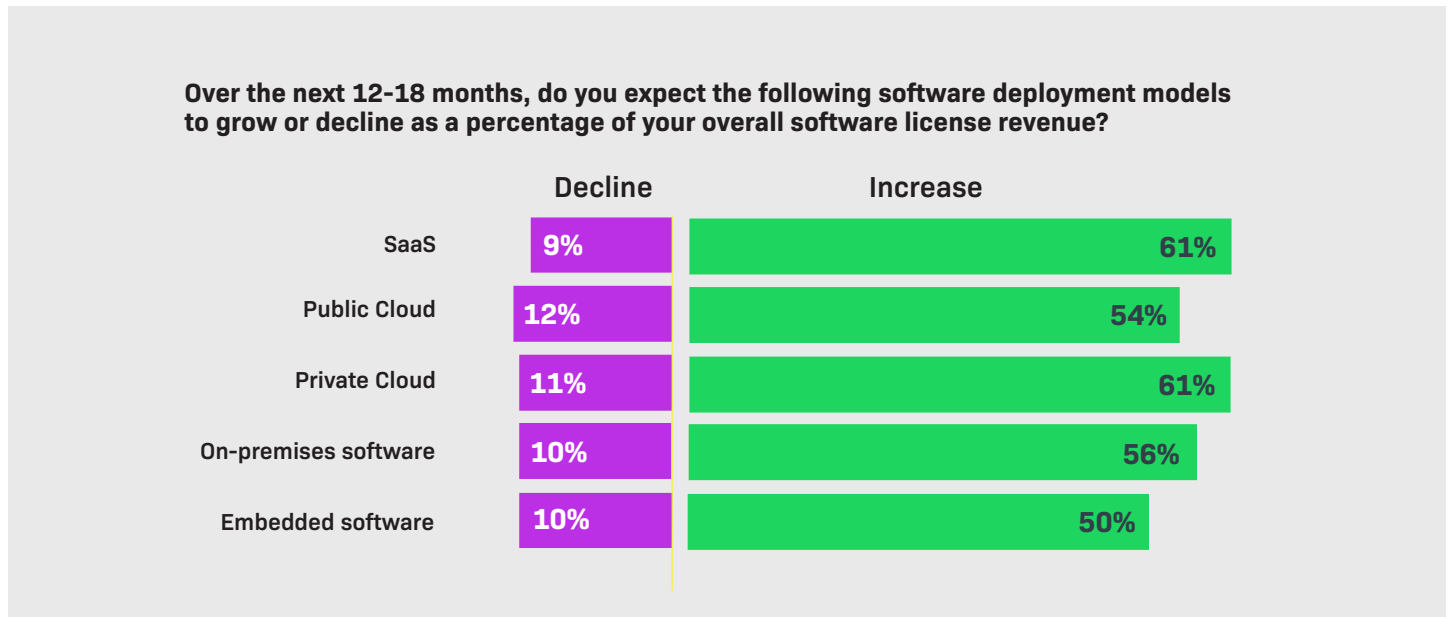
- **SaaS:** Software-as-a-service
- **Public Cloud:** cloud computing using shared infrastructure
- **Private Cloud:** cloud computing using an organization's own infrastructure
- **On-Premises:** applications installed locally
- **Embedded:** software installed in hardware/devices



Software Deployment Models Tomorrow

The transition to SaaS will continue. Research a year ago showed that 57% of respondents indicated that their use of SaaS in the coming 12–18 months would grow; that number goes up to 61% this year. Private cloud usage is also anticipated to grow at the same rate during this time.

Demonstrating the long tail of on-premises deployment, expected usage of it in the coming 12–18 months has gone up from 46% a year ago to 56% in the present research. At the same time, the number saying that use of it would decline has dropped from 15% to 10%.



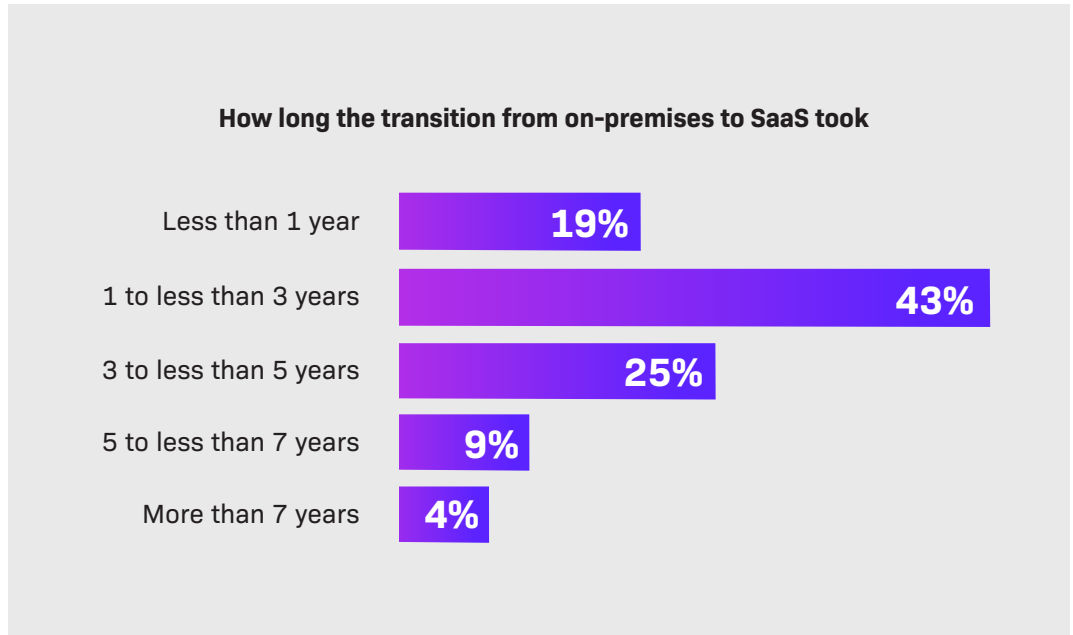
SaaS Spotlight

As the move to SaaS grows, 85% of respondents say that their company has transitioned any of their software products from on-premises to SaaS deployments (which includes completed or in-process transitions). Among those using homegrown solutions to manage entitlements/use rights, this number drops to 31%.

Among those who are planning to increase their use of SaaS in the coming year and a half, 92% have already transitioned products from on-premises to SaaS.

More and more suppliers are transitioning multiple products from on-premises to SaaS. This year, 73% report having transitioned multiple products from on-premises to SaaS, up from 67% a year ago.

The most frequently reported time it took for transitions (whether yet complete or the anticipated completion time) was 1–3 years, as indicated by 43% of respondents. Nearly 1/5 (19%) reported the ability to do it in less than a year, up from only 7% a year ago, highlighting the acceleration of SaaS transitions. Respondents who take the longest time, more than 7 years, may be facing institutional challenges that contribute to the slow pace of transition.



85%

85% have transitioned any of their software products from on-premises to SaaS deployments. **However, this number drops to 31% for those using homegrown solutions to manage entitlements/use rights.**

Product Usage Data: Implementation Priorities, Collection Trends, and Role in Revenue Generation

Implementation of Product Usage Data

Usage data can guide a wide range of software suppliers' initiatives. Product usage data may be leveraged by a variety of teams (including engineering, sales, marketing, and product development) for projects ranging from design to pricing and feature decisions, along with piracy and overuse tracking, and beyond.

Increasingly, as software suppliers aim to monetize the data they collect, effective collection of product usage data is a key first step toward monetizing that data and being able to give customers access to their usage data. Top ways of implementing product usage data are the identification of upsell opportunities, the identification of customer churn and retention risk, and the prioritization of product roadmap decisions. Among respondents who report the ability to collect product usage data "very well," 66% (compared to only 49% overall) analyze product usage data to identify decreasing engagement—an important step to help identify and minimize customer churn.

Product Usage Data Collection Trends

The majority of software companies recognize the importance of collecting product usage data. Only a mere 2% of respondents aren't collecting data and have no plans to do so. Today more than 4/5 of respondents (82%) report that they can gather product usage data either very well or that they have the ability to do some of this, though it requires manual processes or engineering work.

USAGE DATA IS...

Usage data is 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.

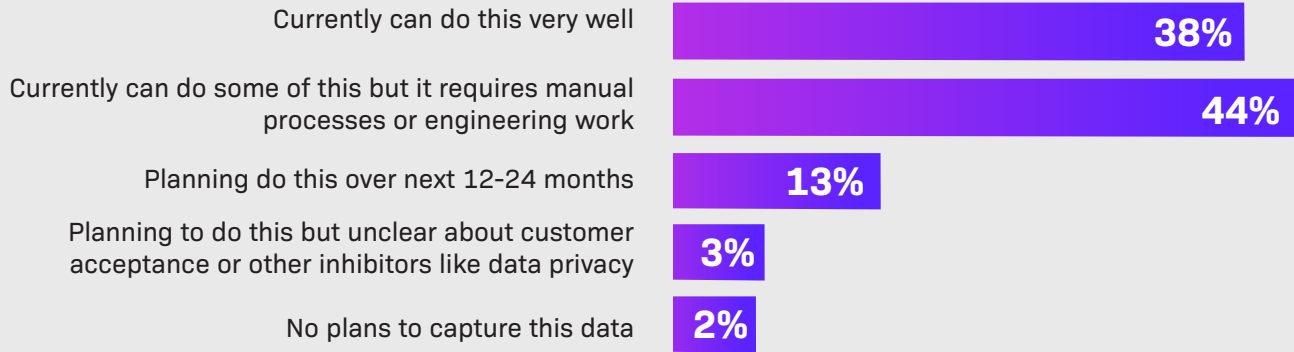
Top Ways of Implementing Product Usage Data

#1: Identify upsell opportunities (68%)

#2: Identify customer churn/retention risk (61%)

#3: Prioritize product roadmap decisions (45%)

Ability to Gather Product Usage Data



Ability to Gather Product Usage Data Very Well



Launch effective usage data initiatives!

In addition to those who currently collect product usage data, those respondents are **planning to collect product usage data** in the coming 1–2 years have a great opportunity to leverage that usage data to launch initiatives focusing on ways to identify upsell opportunities, reduce churn risk, and to make effective product roadmap decisions.

Trends in usage data will be evaluated in an upcoming report in the *Revenera Monetization Monitor 2025 Outlook* series.

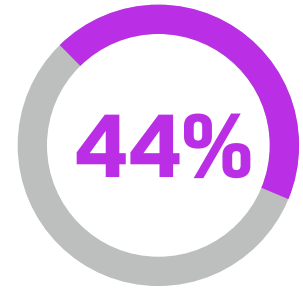
[LEARN MORE >](#)

Why Price and Value of Software Aren't Aligned

Slightly more than a third (36%) indicate that pricing is “totally aligned” with the value delivered to customers. How can the remaining 2/3 improve their ability to align the price and value of software? They must recognize and move beyond common hurdles.

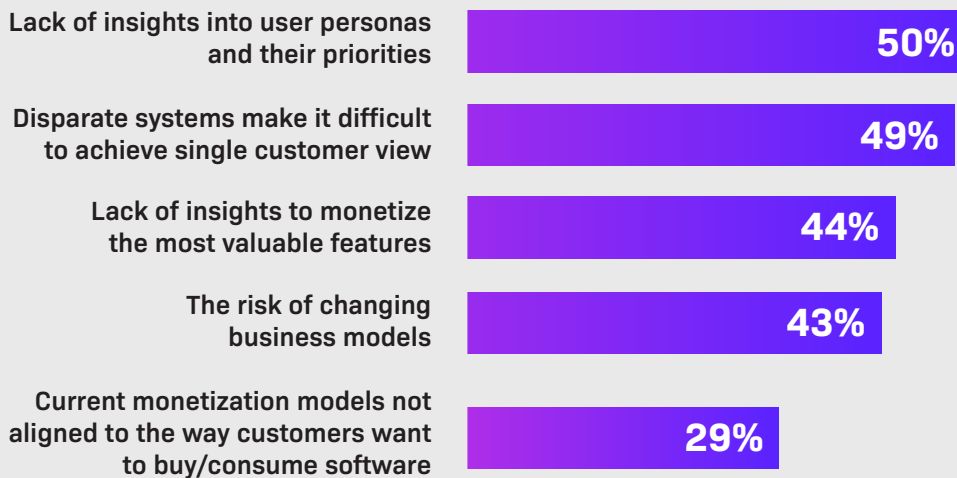
In the past year, the number of respondents citing “lack of insights to monetize the most valuable features” and “disparate systems make it difficult to achieve single customer view” have gone up. This trend may point to a need for improved internal processes and data management, moving away from the data silos and operational silos that can impede access to important information.

As suppliers move to implement new monetization models, eliminating these hurdles is even more important. Among the respondents who were able to implement a new monetization model rapidly (in less than 3 months), the number citing “lack of insights to monetize the most valuable features,” for example, dropped from the 44% reported overall to 35%, yet it went up to 51% among those who took more than a year to implement a new monetization model. **Gaining greater clarity can help get products to market not only quickly, but also monetized in a manner that delivers customers with clear value.**



Nearly half of respondents **lack insights to monetize the most valuable features of their software.** Fortunately, this means that as software suppliers look for revenue generation, this offers a clear area where improvement may help drive greater clarity for product packaging decisions, such as where premium offerings may be appropriate or where bundling may be valued.

Top Hurdles for Aligning Price and Value



Recurring Revenue Goals Face Persistent Barriers

While many software suppliers aim to optimize Annual Recurring Revenue (ARR), those goals continue to come up against barriers. As found in last year’s research, **delayed time-to-market for new features/enhancements** (a product lifecycle/roadmap issue) and **customer acquisition** (a sales funnel/customer journey issue) are again the top barriers to growing ARR. Product managers are more likely than respondents overall (55% vs 46%) to cite delayed time-to-market for new features/enhancements as a major barrier, which may represent this cohort’s awareness of the challenges of bringing products to market.

Software suppliers must carefully consider the implications of barriers to ARR for their specific organizational goals. For example, those that rely heavily on subscription/term monetization will recognize that customer acquisition and retention are essential for securing ongoing revenue streams. Yet among the respondents who rely on subscription/term for more than 70% of their monetization models, the challenge of customer acquisition is significantly higher (61%) than for respondents overall (43%), indicating this as a prime area for attention and improvement.

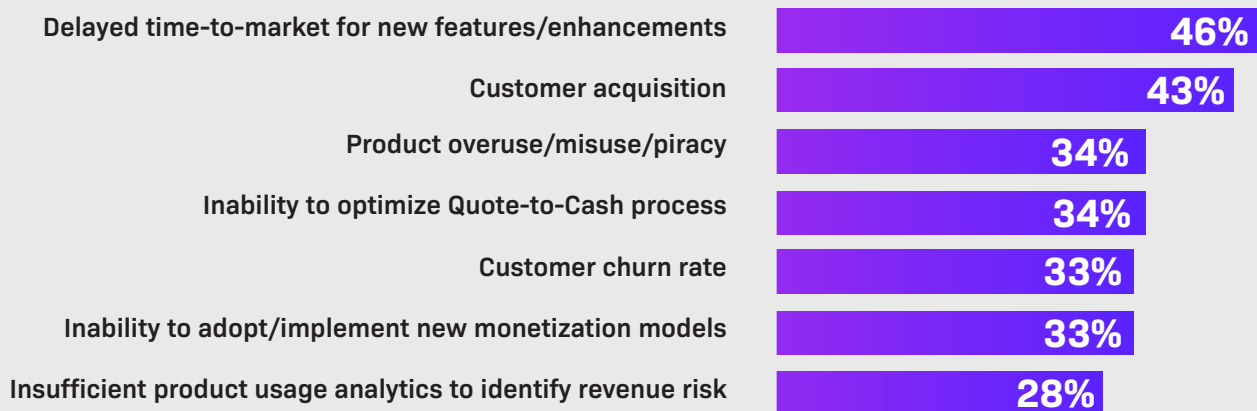
Every dollar counts—perhaps these days more than ever. As cloud costs go up, protecting a company’s revenue recognition can be an effective approach to offset those rapidly growing expenses. Yet with a third of respondents citing customer churn as a barrier to growing ARR, there’s room for improvement.

DIVERSE NEEDS

Remember to consider the diversity of needs and values of your customers!

What is valued by one may not be valued by another.

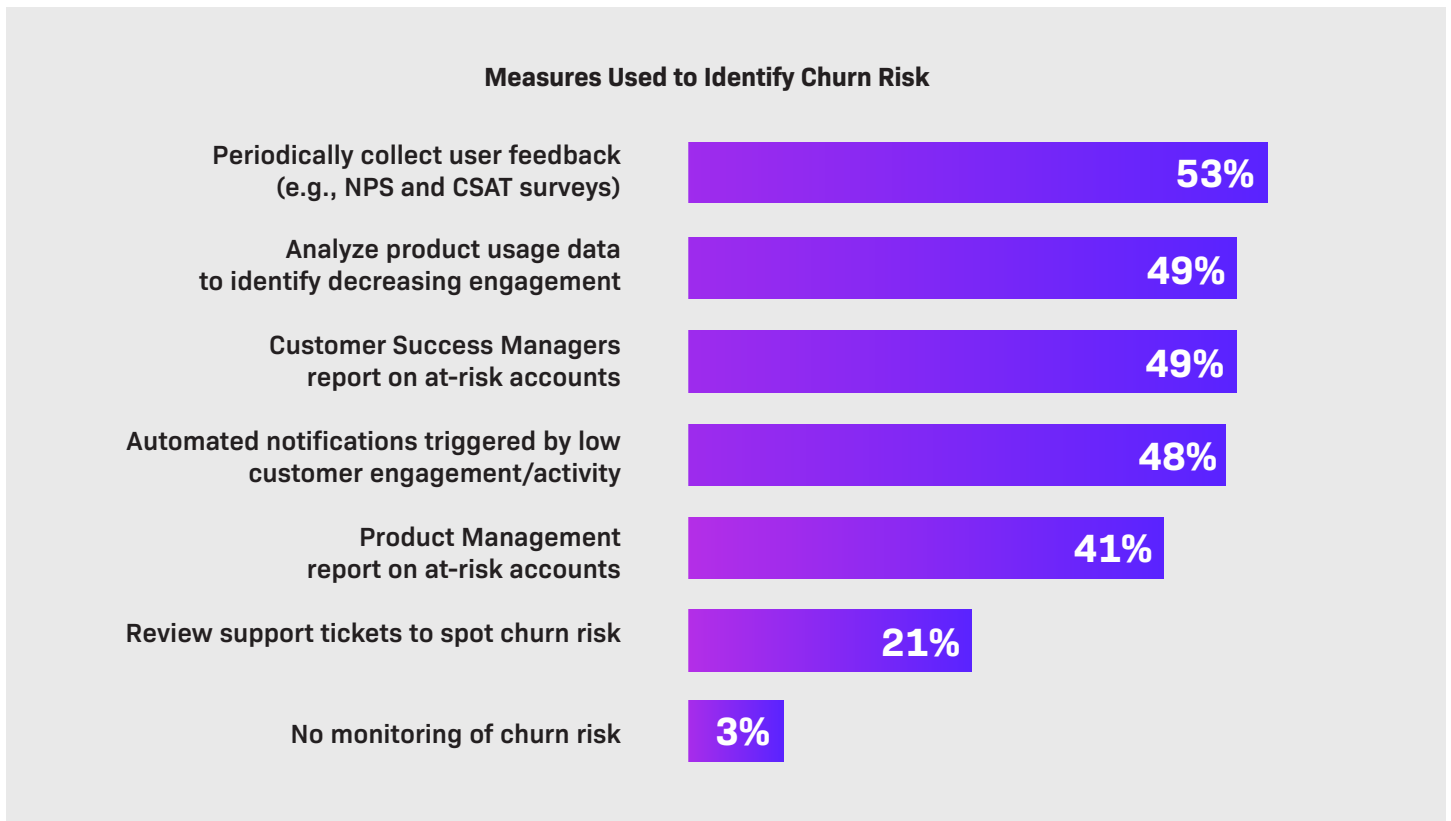
Biggest Barriers to Growing Annual Recurring Revenue (ARR)



Fortunately, software suppliers appear to be taking more active roles in addressing churn risk. Notably, the number of suppliers who monitor churn risk has increased from 90% to 97% over the past year. Additionally, they're focusing on efficient measures. The number using automated notifications triggered by low customer engagement/activity went up from 31% a year ago to 48% presently.

Some best practices appear to be modeled by suppliers who use subscription/term monetization for more than 70% of their product lines; among this group, 59% (compared to 49% overall) analyze product usage data to identify decreasing engagement. Similarly, respondents who believe that the price of their product is "totally aligned" with the value delivered are more likely to take most churn identification measures, indicating that active engagement may correlate with appropriate pricing decisions that can help with retention.

Suppliers that want to improve their churn monitoring likely want automated alerts and other efficiencies that will prevent time-intensive processes, such as manually digging through results. They have an opportunity to pull data (including entitlement data, usage data, and engagement data) into a bigger data lake to help assess churn risk.





The vast majority of respondents monitor churn risk. Overall, only 3% of respondents don't monitor churn risk at all, a marked improvement over the 10% that weren't monitoring churn risk just a year ago.



Only 21% review support tickets to spot churn risk. The remaining 4/5 have a good opportunity to improve their processes.

SUBSCRIPTION FATIGUE?

A contemporary challenge to software monetization is **subscription fatigue**: users becoming reluctant to add an additional recurring payment to their budgets.

Organizations that are facing subscription fatigue and the ensuing challenging of proving ROI may need to evaluate more flexible paths to software monetization. Consider ways to offer flexibility, such as through pay-per-use models, rather than deterring customers with long-term subscriptions for items that are only required sporadically. The ability to layer usage-based components onto existing subscription sales strategies may be the future for customer acquisition and retention.

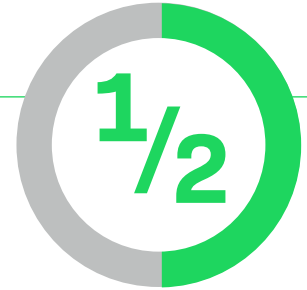


Software Business Growth through Monetization Initiatives

Reasons for Changing Monetization Models

Multiple drivers are motivating changes to monetization plans. Nearly half (49%) of respondents who are planning to change their monetization models in the coming 2 years are doing so in order to **better support intelligent device models**. Almost as many (41%) of those who have already changed their monetization models did so for the same reason. This indicates that, as the Internet of Things (IoT) grows and as the intelligent device business matures, device companies are optimizing how they monetize the software that powers these devices

A pair of perpetual challenges are taking on new urgency: the need to **improve revenue margins/company valuation** and the need to **respond to competitive dynamics**, both moving into the top three of drivers of completed and planned change. Similarly, the need to **offer usage-based models to align with customer value** is becoming more of a priority.



*Nearly half (49%) of respondents who are planning to change their monetization models in the coming 2 years are doing so in order to **better support intelligent device models**.*

Top Drivers of Completed Change

- #1: Improve revenue margins/company valuation** (50%)
- #2: Respond to competitive dynamics** (43%)
- #3: Better support intelligent device models** (41%)
- #4: Offer usage-based models to align with customer value** (39%)
- #5: Enter new markets (geographies, verticals, etc.)** (30%)

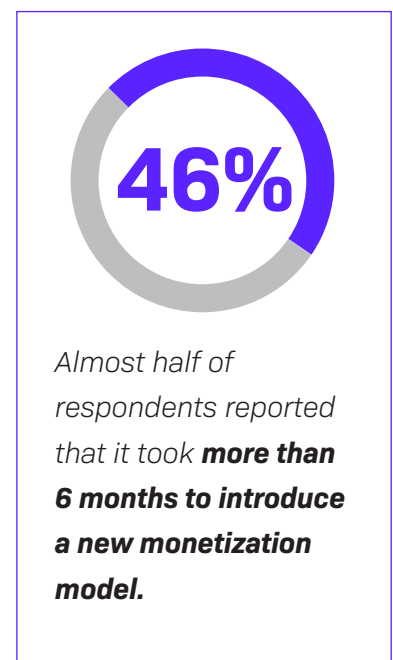
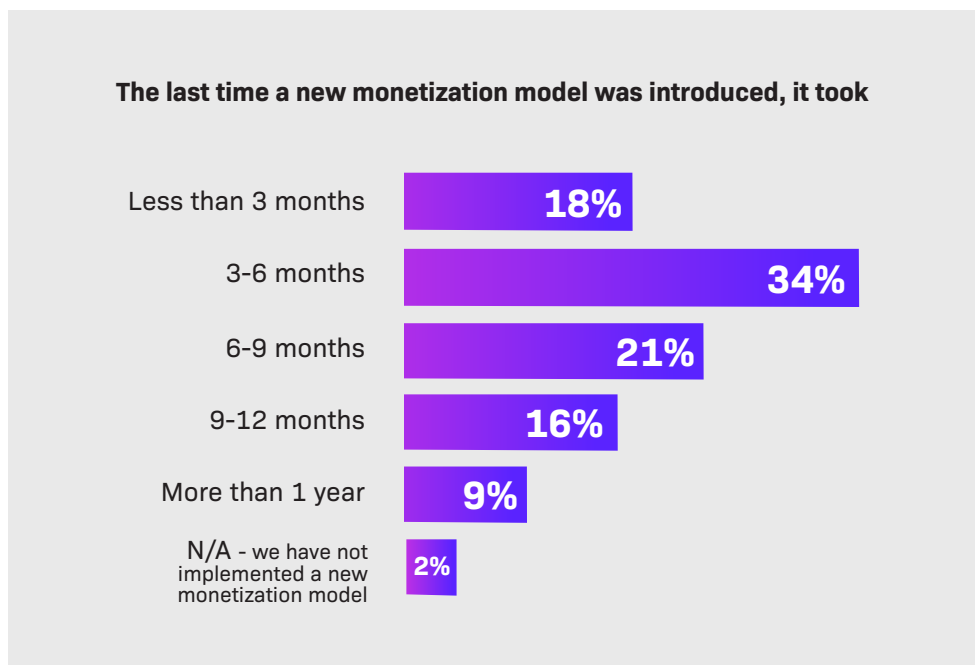
Top Drivers of Planned Change

- #1: Better support intelligent device models** (49%)
- #2: Improve revenue margins/company valuation** (41%)
- #3: Respond to competitive dynamics** (40%)
- #4: Offer usage-based models to align with customer value** (37%)
- #5: Enter new markets (geographies, verticals, etc.)** (36%)

Timeframe for Implementing New Monetization Models

The introduction of new monetization models can be relatively rapid or can necessitate more than a year. Among respondents, the most frequently reported time was 3–6 months, as indicated by 34%.

Less than 1/10 (9%) report that it took them more than a year to implement a new monetization model. This number more than doubles, to 19%, among those who are using a homegrown system to manage entitlements and use rights, complicating the ability to get products to market quickly.

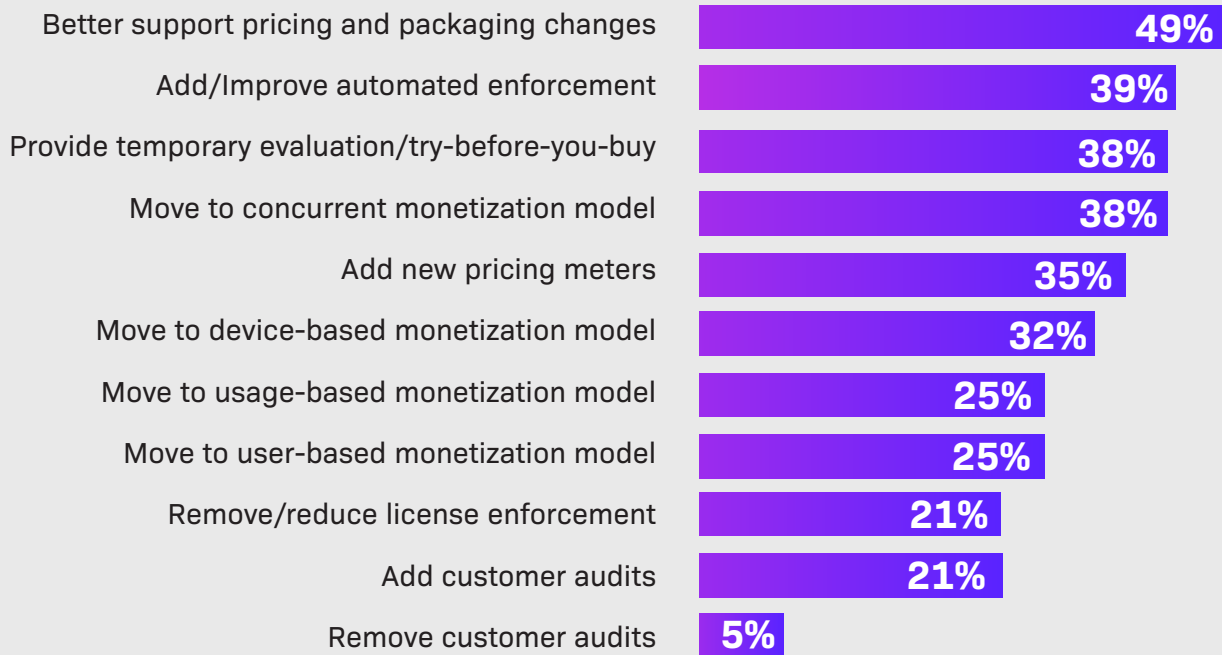


How Monetization Strategies are Evolving

Better support of pricing and packaging changes remains the leading reason for changes to monetization strategies. Growing in relative importance over the past year is the need to add/improve automated enforcement, which can help improve annual recurring revenue and minimize revenue leakage.

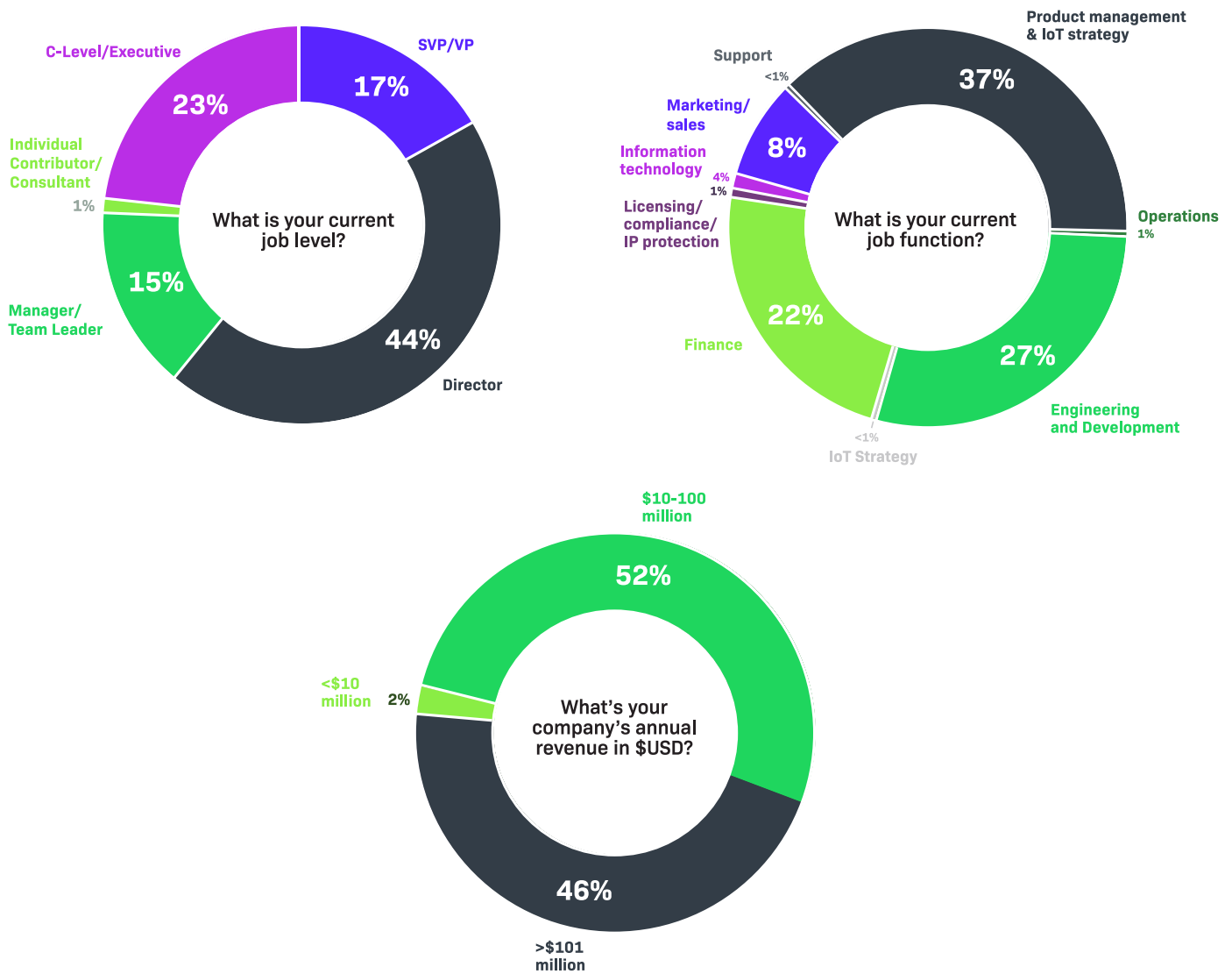
The move to concurrent monetization models is gaining traction, with 30% citing it in last year’s research and 38% citing it in the present survey. Similarly, more respondents are moving to a device-based monetization model, with this change cited by 24% a year ago and 32% presently. The move toward usage-based models continues to grow, as well.

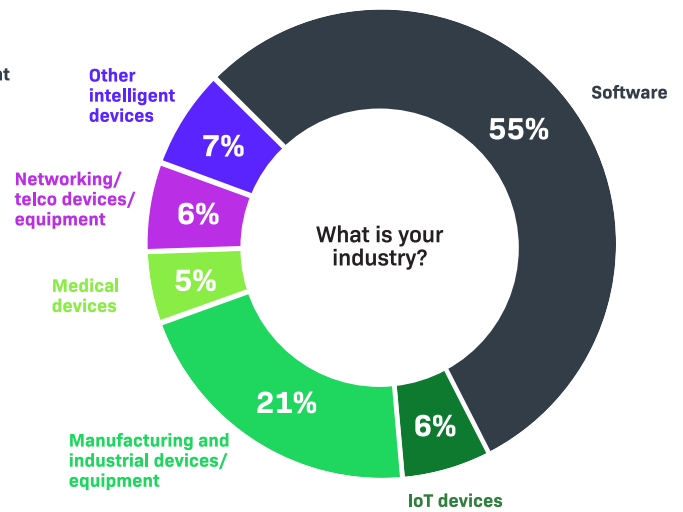
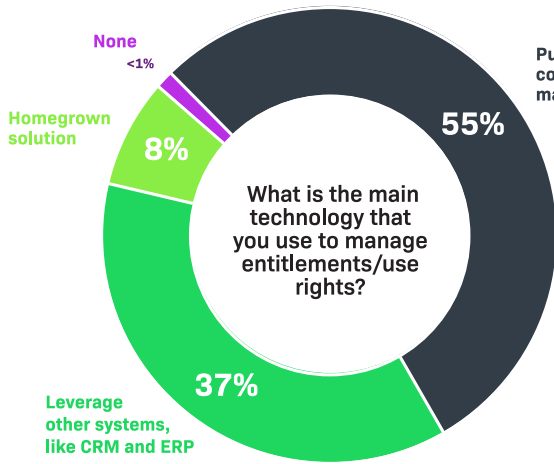
If your company plans to make changes to monetization strategies in the next 12-18 months, what changes will you be adopting?



Survey Background

The *Reverera Monetization Monitor 2025 Outlook: Software Monetization Models and Strategies* report is based on 418 complete responses to a survey conducted by Reverera from May through July 2024. 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%.





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The Bottom Line

Driving revenue requires more than a focus on the most widespread monetization and deployment models. It requires a comprehensive understanding of how clients want to use products—and what models support those needs, such as pay-per-use monetization that offers more flexibility than subscriptions.

Suppliers must also keep a close eye on their own expenses. When it comes to rolling out new functionality, their own rapidly increasing use of AI services may drive up their cloud costs. Comprehensive insights into customers' preferences can help ensure that what's being rolled out not only gets to market efficiently, but is the functionality that customers want. Streamlined operations can help align software suppliers' goals with the needs of their customers.

NEXT STEPS

Learn how Revenera can help you monetize your data, drive recurring revenue, and improve SaaS profitability.

[LEARN MORE >](#)

Insight into software piracy and compliance will be provided in the next report in the *Revenera Monetization Monitor 2025 Outlook* 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