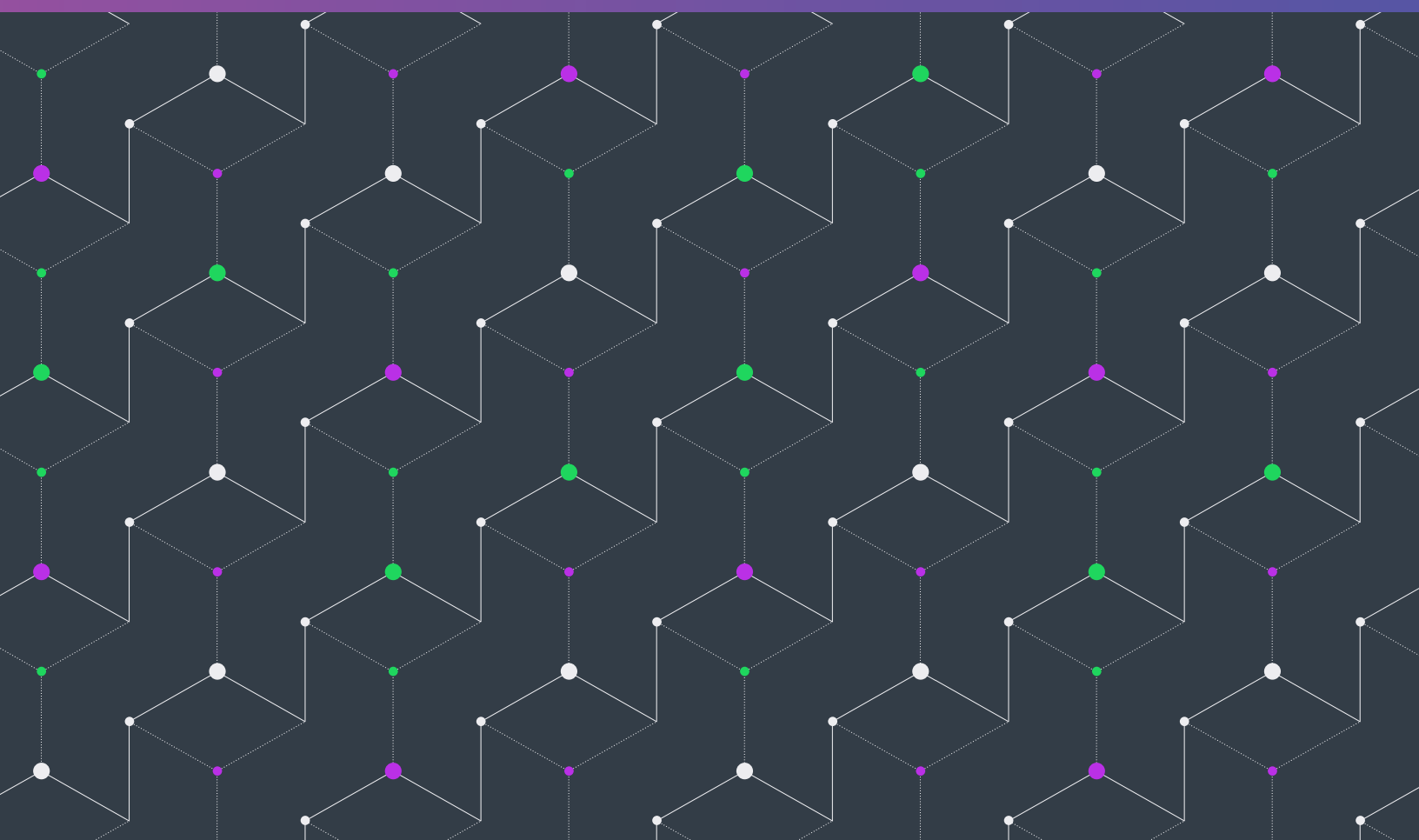


Revenera Monetization Monitor

Software Piracy and Compliance 2023



Executive Summary

Software suppliers want users to value and engage with their products. They also want users to be consumers who pay for and are compliant with software licenses.

Today, as the push to capture recurring revenue grows, so does the need to take stock of where revenue leakage is taking place when organizations are out of compliance with software licenses. This happens through multiple forms of unlicensed use:

- **Piracy:** when software has been configured or tampered with to remove or bypass license enforcement
- **Overuse:** the use of software exceeding the limits of the license
- **Misuse:** the intentional configuration of the software to enable use beyond the limits of the license.

To reduce compliance risk and optimize revenue goals, suppliers must have the software usage data to be aware of where revenue leakage is taking place, measure how significant the loss is, and take steps to minimize losses. But as found in the fifth annual *Revenera Monetization Monitor* survey, revenue leakage related to unlicensed usage is significant and growing; piracy is a major problem for 40% of respondents, overuse is a major problem for 26%, and misuse is a major problem for 30% in 2023. 37% also cite the more recognized challenge of customer churn as a major problem, highlighting the missed revenue opportunities for suppliers who ignore piracy.

At a time when more than a third of respondents (37%) are planning to change monetization models to tighten enforcement/compliance in order to help eliminate revenue leakage, effective approaches are necessary. This report considers the state of compliance and unlicensed use issues, offering insights as to how software suppliers can strengthen their initiatives.



Piracy is a major problem for 40% of respondents, overuse is a major problem for 26%, and misuse is a major problem for 30% in 2023. 37% also cite the more recognized challenge of customer churn as a major problem, highlighting the missed revenue opportunities for suppliers who ignore piracy.



Many suppliers are unaware of the prevalence of revenue leakage: An average of 15% don't know how much revenue is lost to piracy, overuse, or misuse.



More than a third of respondents (37%) are planning to change monetization models to tighten enforcement/compliance in order to help eliminate revenue leakage, yet more than one in five respondents (21%) are not aware of how they are losing revenue to software piracy, overuse, or misuse.



Significant new license revenue opportunity for software suppliers. Aggregate data from Revenera's Compliance Intelligence customers used to create the Top 20 list of piracy and license compliance hotspots reveals a \$16.2 billion revenue opportunity in countries with strong IP laws and a track record of successful license compliance programs.

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The Revenera Monetization Monitor 2023 Series

This report is part of an annual series, first published in 2019, focusing on software monetization. The first report of the *Revenera Monetization Monitor 2023* series focused on [software monetization models and strategies](#); the second focused on [software usage analytics](#). This third and final report addresses software compliance and piracy; it also incorporates aggregated data collected from Revenera’s Compliance Intelligence customers. All reports are based on 454 responses to a survey conducted by Revenera from March through July 2023.

Software License Compliance Issues

Issues Contributing to Revenue Leakage

Revenue leakage takes place for multiple reasons: ineffective licensing strategies, customer churn, inefficient monetization models, and entitlement management errors that provide customers with updates they shouldn't receive. Unlicensed use of software—in the forms of piracy, overuse, and/or misuse—also directly contributes to revenue loss.

Revenue leakage related to unlicensed usage is significant and growing, with 40% of respondents citing piracy as a major problem, 26% citing overuse as a major problem, and 30% calling misuse a major problem in 2023. [Software usage analytics](#) can help identify where license compliance issues are taking place.

Issues Reported to Cause Revenue Leakage		
	2022 "Major Problem"	2023 "Major Problem"
Piracy	17%	40% ↑
Overuse	24%	26% ↑
Misuse	20%	30% ↑
Inefficient licensing/ pricing/packageing	18%	32% ↑
Customer Churn	17%	37% ↑
Inefficient Monetization Models	16%	32% ↑
Customers receiving updates that they are not entitled to receive	14%	28% ↑

DEFINITIONS

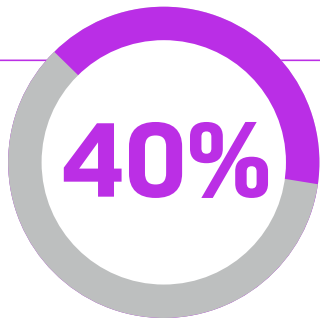
Software usage analytics

is the process of tracking and analyzing how users engage with software. It provides:

- **Tracking**, which usually happens via a call-home system that collects raw data about user actions and computing environments,
- **Analysis**, through visualization dashboards that show data, identify trends, user behavior, differentiators across user segments, etc., and
- **Actionable insights**, facilitating context-relevant engagement with the software.

Unlicensed Use

- **Piracy**: the use of software that has been configured or tampered with to remove or bypass license enforcement.
- **Overuse**: the use of software exceeding the limits of the license.
- **Misuse**: the intentional configuration of the software to enable use beyond the limits of the license (e.g., cloning).



Software piracy is reported to be a “major problem” by 40% of respondents in 2023, up from 17% in 2022. In that same time, the number reporting misuse as a “major problem” has grown to 30% from 20%.

That these two forms of intentional unlicensed use have grown so much in the past year may indicate the economic strain that consumers face and their resulting efforts to work around license compliance. Software suppliers must be aware of the scope of revenue lost to these issues and implement steps to minimize the problems.

Prevalence of Revenue Leakage

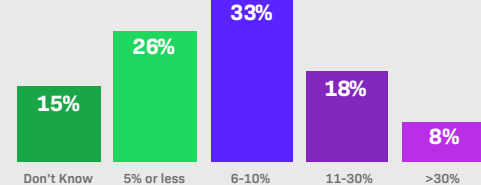
When license compliance is bypassed by users, software suppliers face revenue leakage that can only be remedied by identifying what is taking place. Many suppliers, though, simply don't have the software usage analytics in place to know how widespread the issues of piracy, overuse, and misuse are or how much revenue they're losing to these issues.

Among all respondents to this year's survey, 15% don't know how much revenue is lost to piracy, 14% don't know how much is lost to overuse, and 14% don't know how much is lost to misuse. These numbers reflect a growing awareness of the issue, with improvements from 36%, 32%, and 33%, respectively, in 2022.

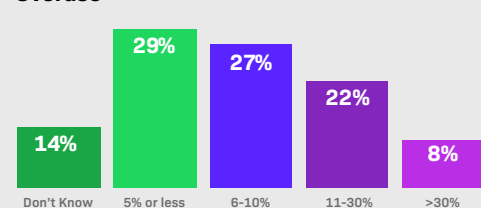
Among those who are aware of the prevalence of revenue leakage at their organizations, losses are significant and growing. Nearly 10% report that piracy, overuse and misuse is responsible for losses of more than 30 percent of revenue.

As a percentage of annual revenue, how much revenue are you losing due to software piracy and overuse?

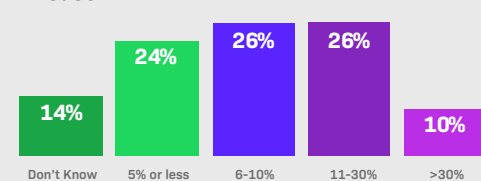
Piracy

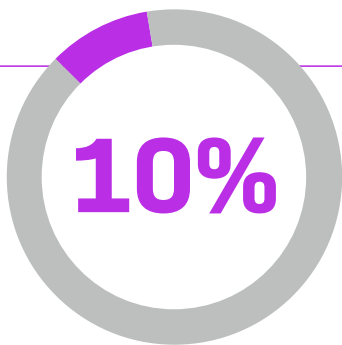


Overuse



Misuse





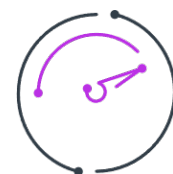
10% of respondents indicate that **misuse is the cause of more than 30% of revenue loss**, making it the most prevalent cause of large losses.

PREVENT OVERUSE!

A common example of users circumventing licensing is when multiple users share a license that's been issued to a single user. Allowing users to purchase software as needed can help prevent overuse scenarios like this.

As noted in the first *Revenera Monetization Monitor 2023* report, 59% of respondents expect consumption-based models to increase over the next 12-18 months. The growing prevalence of pay-per-use flexibility could go some way to preventing piracy and overuse.

Elastic licensing is a usage-based software monetization model that offers access to a set number of entitlements alongside the ability to expand capacity when needed, ensuring supply always meets demand. Elastic licensing provides software suppliers with a way to be more customer-centric, making it easier for customers to buy products and be in compliance with software licenses.



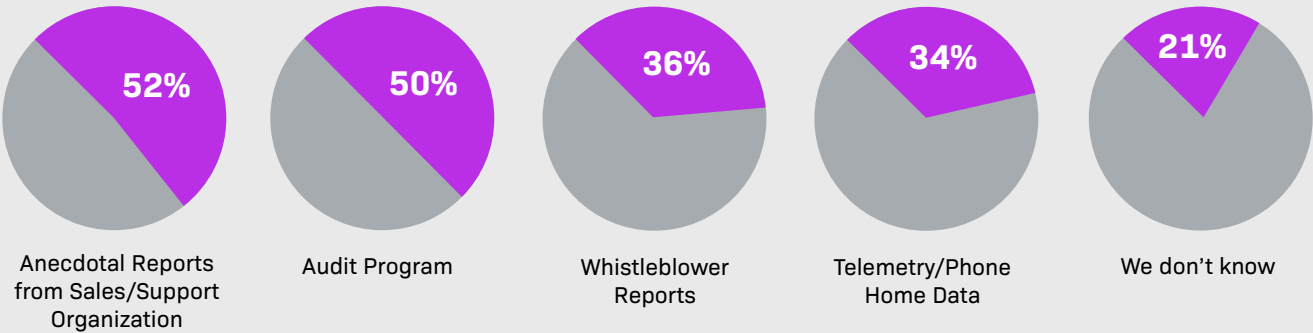
Approaches to Revenue Recovery

Identifying Software Piracy, Overuse, and Misuse

More than a third of respondents (37%) are planning to change monetization models to tighten enforcement/compliance in order to help eliminate revenue leakage. As part of this initiative to convert license infringers to paying customers, a mix of sources are used to identify unlicensed usage: 52% use anecdotal reports from their sales/support organization, 50% use audit programs, 36% use whistleblower reports, and 34% use telemetry/phone-home data.

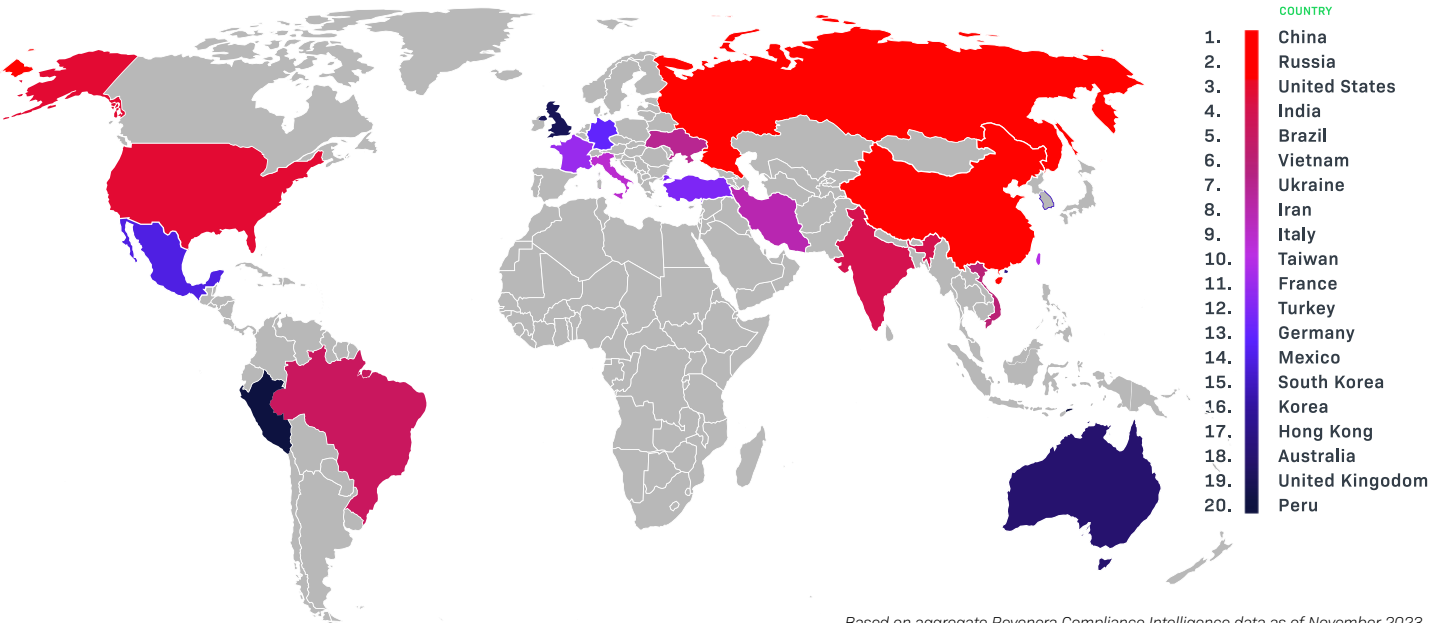
More than one in five respondents (21%), though, are unaware of how they are losing revenue to software piracy, overuse, or misuse. This is an improvement over the 31% who, in 2022, were unaware of how this revenue loss was taking place, yet it reflects an ongoing need for clarity into the factors driving revenue leakage.

What sources do you use to learn that you are losing revenue to software piracy, overuse or misuse?



Top Software License Piracy Hotspots

Detecting, identifying, and reporting on the unlicensed use of applications helps software suppliers monetize license piracy, overuse, and misuse. Aggregate data from [Revenera's Compliance Intelligence](#) customers used to create the Top 20 list of piracy and license compliance hotspots reveals a \$16.2 billion revenue opportunity in countries with strong IP laws and a track record of successful license compliance programs. These initiatives will help improve overall license compliance and improve the incoming revenue stream from software products.



Based on aggregate Revenera Compliance Intelligence data as of November 2023.

SELL SOFTWARE THE WAY CUSTOMERS WANT TO BUY IT!

Interest in subscription monetization models—in which a customer pays monthly or yearly to use software—is growing, in large part because they align with customers’ purchasing preferences, allowing them to buy software as they want. Today, more than 4 out of 5 respondents use subscription/term monetization models at least moderately. Additionally, 59% of respondents anticipate that subscription will grow as a percentage of their overall software revenue in the coming 12–18 months.

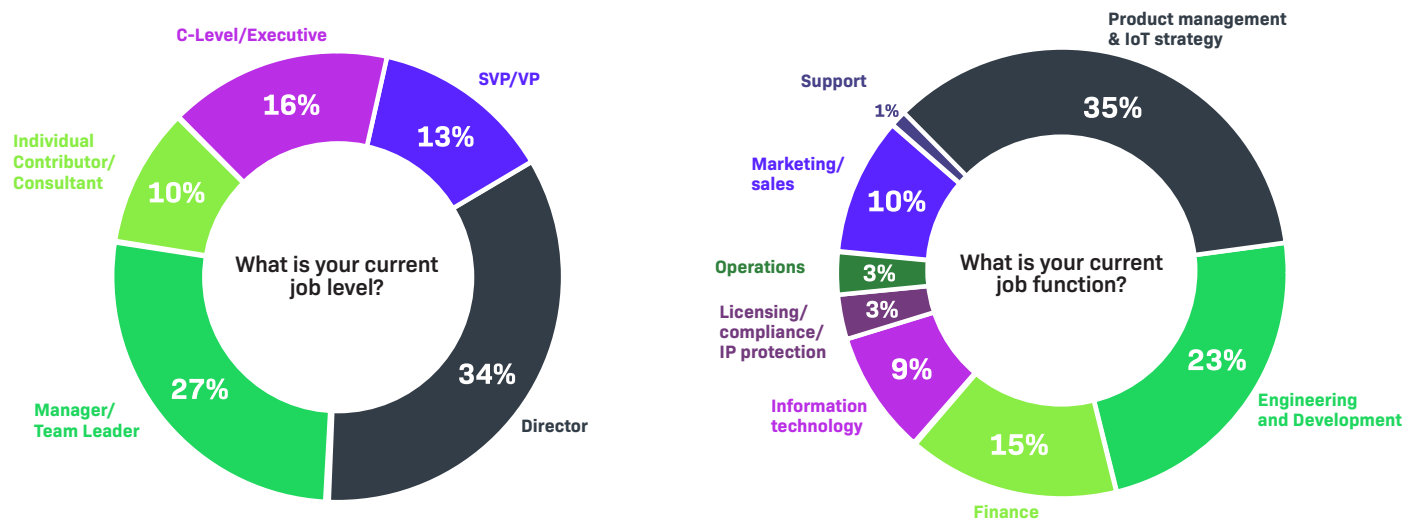
License infringement, particularly overuse, can happen when users who recognize the need for software look for a way to avoid what they perceive high price tags. Whereas upfront investments (common with perpetual licensing) can be a barrier to entry and a route to non-compliance, subscription removes that barrier, breaking the expense into smaller increments (often billed monthly or annually). The subscription model helps ensure that customers get what they perceive as enough value out of the product, making it easier for users to be in compliance with licenses.

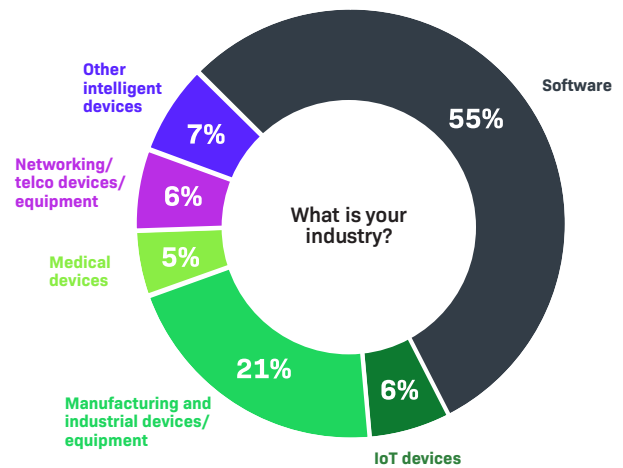
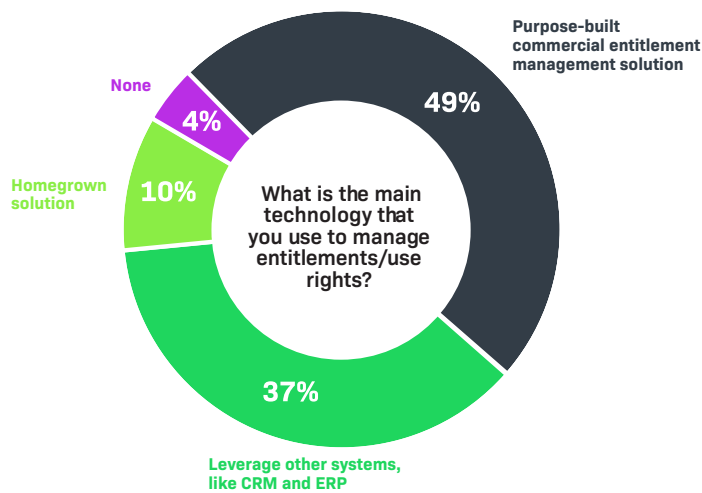
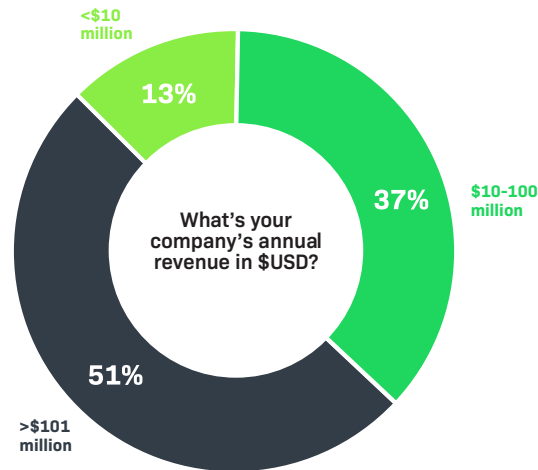
Subscription also provides software suppliers with the monetization model agility that helps meet recurring revenue goals. In the case of software that’s offered as part of a suite, a subscription to the entire suite may also make users aware of the full scope and value of offerings.



Survey Background

The Revenera Monetization Monitor: Software Piracy and Compliance 2023 is based on 454 responses to a survey conducted by Revenera from March through July 2023. 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%.





REUSE

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The Bottom Line

Reducing compliance risk and minimizing the resulting loss in revenue requires clear insights into how software is being used. Software usage analytics can inform suppliers about the scope piracy, overuse, and misuse, ultimately driving efficiencies in entitlement management and software license compliance.

The process of identifying those who infringe licenses also provides software suppliers with data that can identify a proactive approach for converting pirates to paying customers. Offering the monetization models that are most appealing to customers is an important part of a comprehensive approach to compliance initiatives.

NEXT STEPS

Learn How to Turn Software Piracy into Revenue

Identify, detect, and convert unpaid software use

[LEARN MORE >](#)

Learn more about trends in software monetization and deployment models and software usage analytics by accessing the full ***Revenera Monetization Monitor 2023 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