SoftSummit™ 2015

Worldwide Software Licensing and Pricing: Top Predictions

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Software Licensing and Pricing
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Top 10 Predictions for Software Pricing and Licensing

1. **Software subscription revenues will continue their rapid growth trajectory, reaching $130 billion in 2016, a 21% increase over 2015.**
2. **Software license complexity will indirectly cost organizations an average of 25% of their software license budgets in 2016.**
3. **By 2018, 50% of all industries will be disrupted by a competitor from outside the context of their industry that embraces 3rd Platform business models.**
4. At least three major software providers will announce in 2016 the intent to end all perpetual licensing.
5. **Close to 50% of organizations will have the processes and tools in place to meter usage of their major on-premises software by 2018.**
6. By 2017, 65% of all U.S organizations will generate revenues by packaging, brokering, and selling APIs.
7. By the end of 2016, 40% of U.S. organizations will purchase public cloud services via enterprise software agreements.
8. **Outcomes-based software pricing models will be an option for 20% of applications by 2017.**
9. Close to 50% of software vendors that offer both on-premises software and cloud will offer discounts on bundles to drive cloud adoption in 2016.
10. **By 2018, 60% of manufacturers of connected devices (automobiles, thermostats, etc.) will generate subscription revenues via a software-based service.**
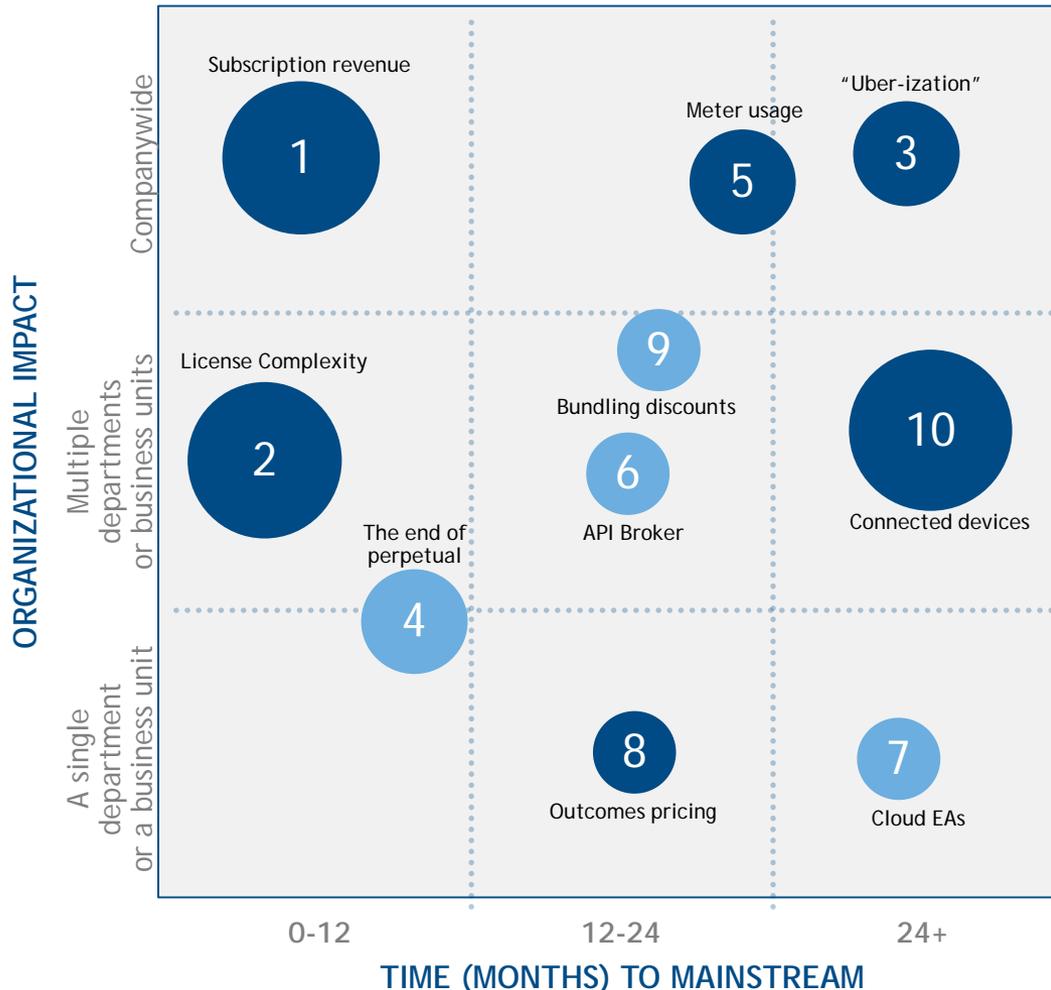
Drivers for Software Pricing and Licensing

- ✓ Accelerating Business Disruption from Digital Transformation
- ✓ The Slowing Pace of IT Productivity
- ✓ International Impact of Economic Volatility
- ✓ Customer Expectation for Increasing Levels of Service
- ✓ Rapid Adoption of 3rd Platform Solutions (Mobile, Social, Cloud, and Big Data)
- ✓ Explosion of Applications and Business Models

For additional details on the above Drivers, please refer to report:

IDC FutureScape: Worldwide Software Pricing and Licensing 2016 Predictions, IDC #259833

IDC FutureScape:
Software Pricing and Licensing

ORGANIZATIONAL IMPACT

Companywide
- Subscription revenue — 1
- Meter usage — 5
- "Uber-ization" — 3

Multiple departments or business units
- License Complexity — 2
- Bundling discounts — 9
- API Broker — 6
- Connected devices — 10
- The end of perpetual — 4

A single department or a business unit
- Outcomes pricing — 8
- Cloud EAs — 7

TIME (MONTHS) TO MAINSTREAM: 0-12 | 12-24 | 24+

Note: The size of the bubble indicates complexity/cost to address. Source: IDC, 2015

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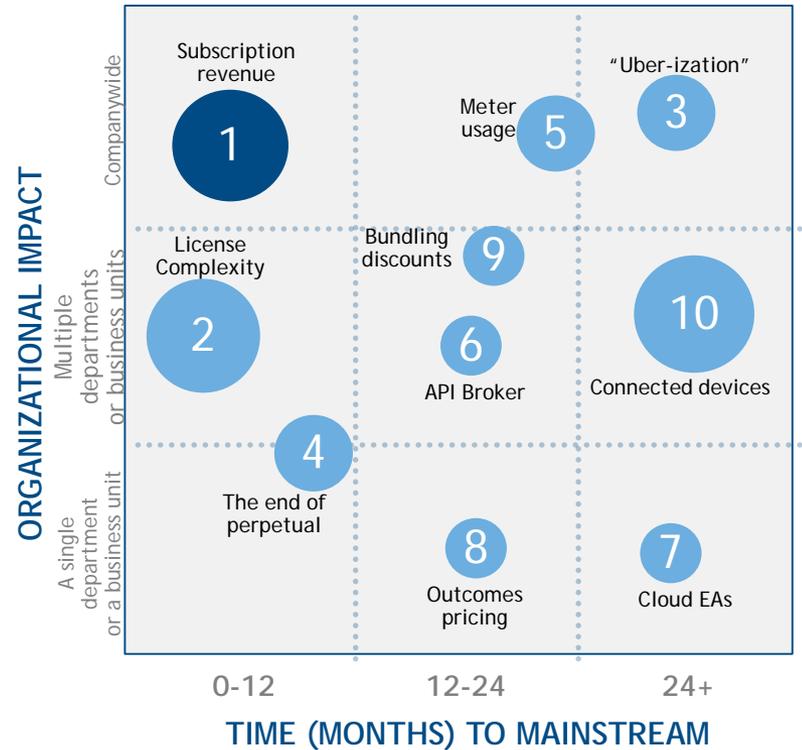
Impact

- Subscription will increasingly be the preferred way to buy/sell software
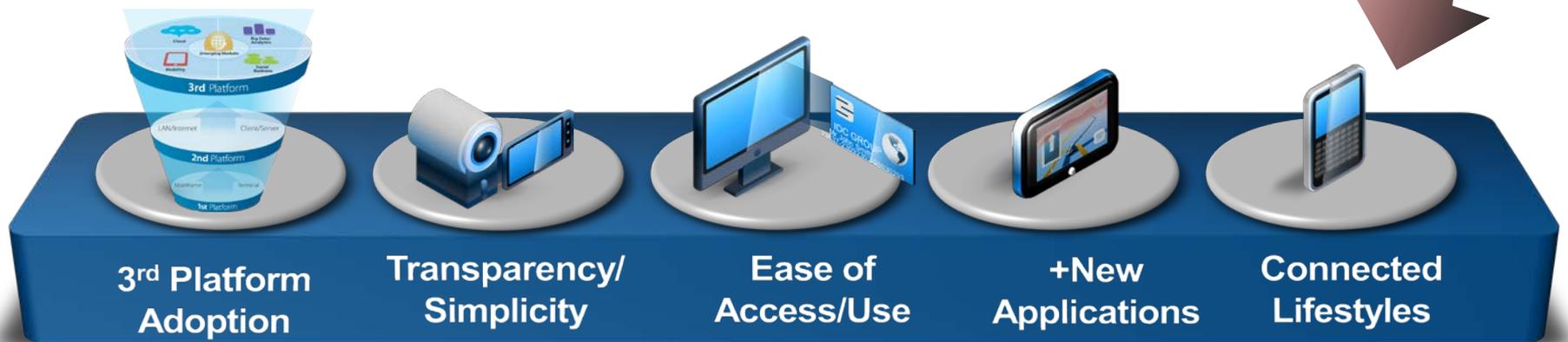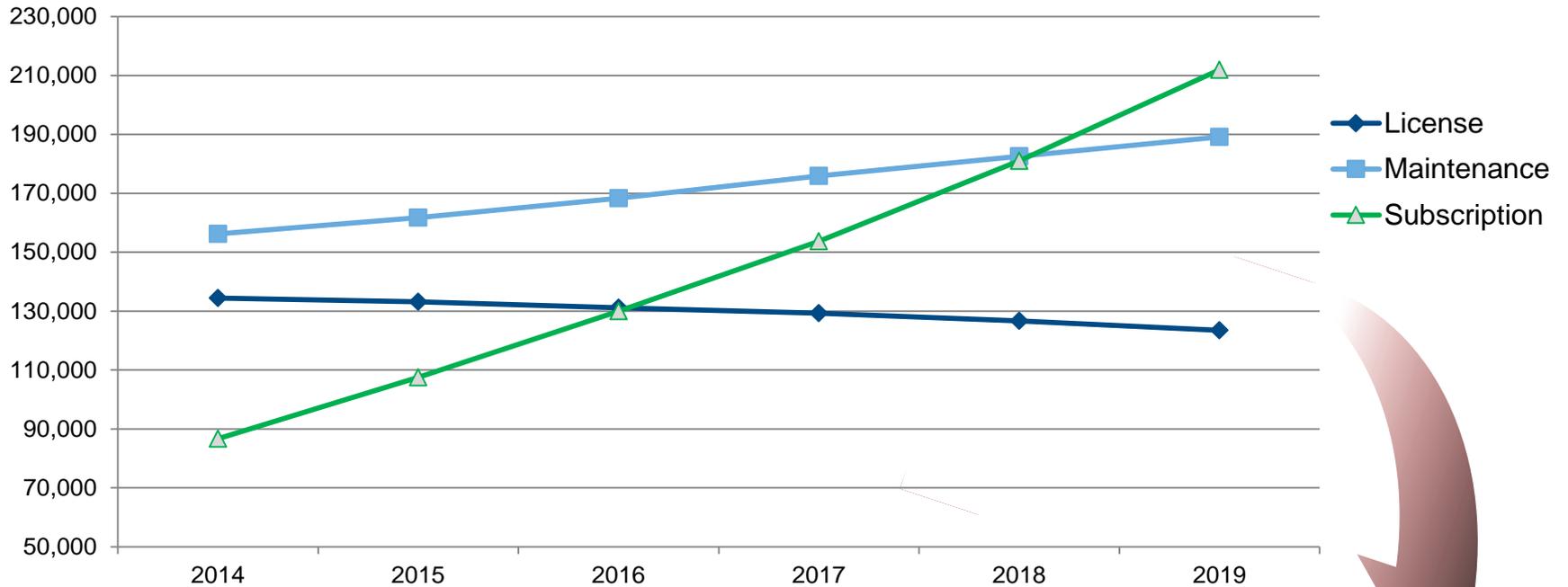- Perpetual license revenues will decline over the same time period

Guidance

- Pay close attention to subscription maturity
- Subscription businesses are relationship businesses

ORGANIZATIONAL IMPACT

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Multiple departments or business units — License Complexity **2**, Bundling discounts **9**, API Broker **6**, Connected devices **10**

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IDC — Analyze the Future

Worldwide Software Revenue ($M)

Legend: License, Maintenance, Subscription

	2014	2015	2016	2017	2018	2019

3rd Platform Adoption

Transparency/ Simplicity

Ease of Access/Use

+New Applications

Connected Lifestyles

IDC Analyze the Future

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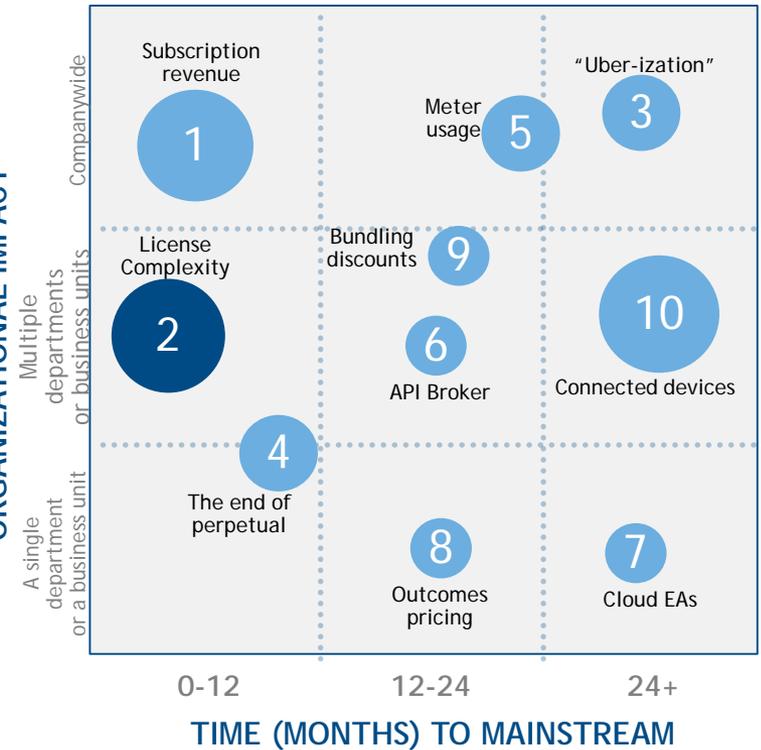
Impact

- Complexity and the costs associated with it negatively impact customer experience.
- Deals are lost due to complexity.

Guidance

- Talk to user groups, customers, partners, account execs, analysts, and others to understand sources
- Simplify, streamline and standardize.
- Governance

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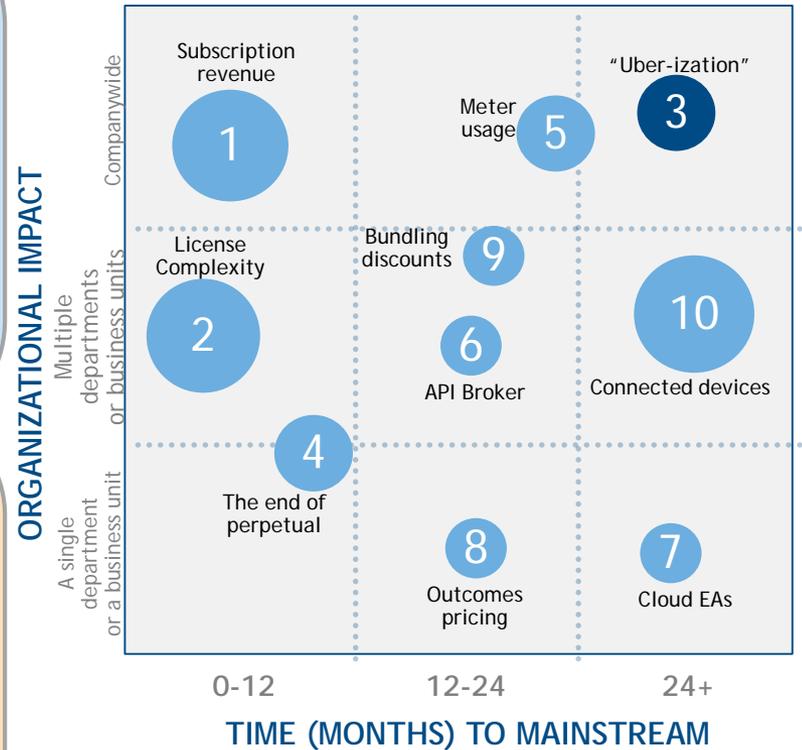
IT Impact

- Prepare for a technologically-driven economic shift via a combination of dynamic pricing, real-time data, mobility, social, and instant gratification
- Centrally monitor, measure, and manage customer experience

Guidance

- How does your app increase the value of the customer experience?
- Make your business model more 3rd Platform-esque

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Key Tenets of 3rd Platform Business Models

✓ **Ease of Access-** Anytime, anywhere, from any device

✓ **Flexible Pricing-** Models that align cost more closely with actual consumption or experience

✓ **Self-service/self-provisioning:** Costs are operational and implementation is nearly immediate. Line-of-business (LOB) users can select, pay for, and access the functionality that they need

✓ **Simplicity-** Consumer-like expectations for ease of acquisition and access

✓ **Pricing Transparency-** Customer can easily determine pricing framework and base costs

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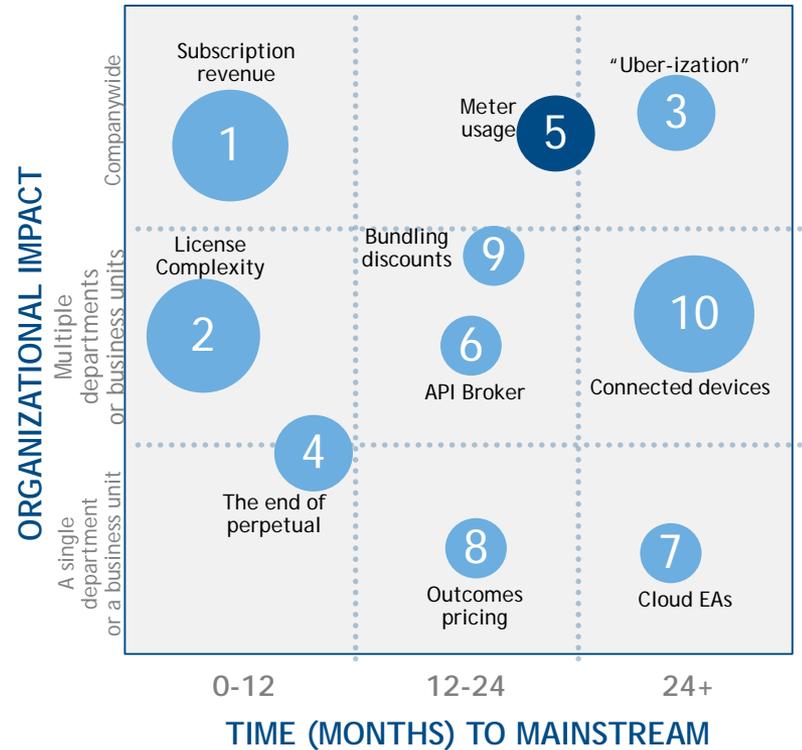
Impact

- Customers will be able to factually answer the questions- Do we need this product? Are we paying for the correct quantity? Do we need support/maintenance?

Guidance

- Help them to do this in a way that helps them get to realized value more quickly. Offer products and services that help drive utilization.

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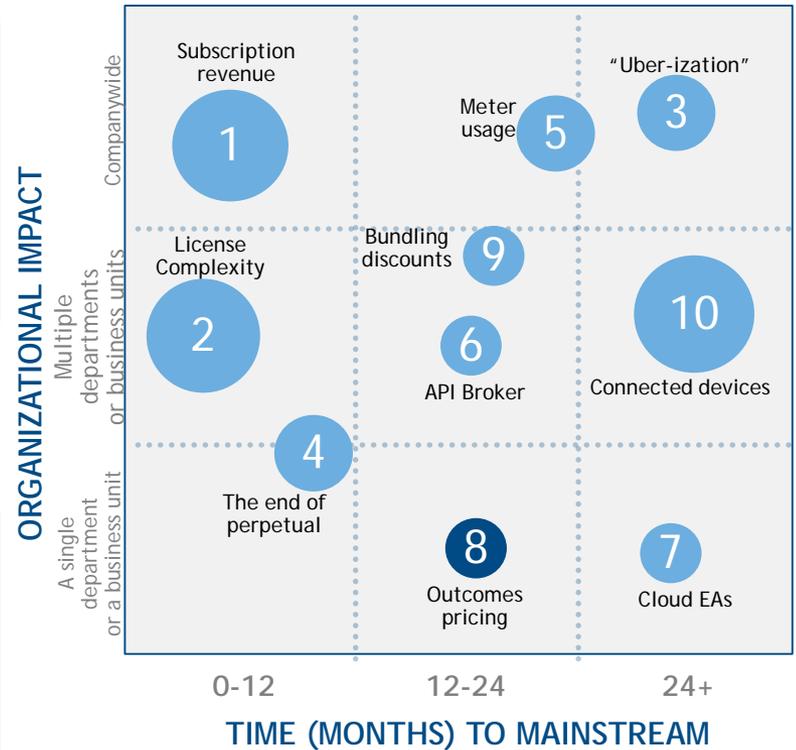
IT Impact

- Value is placed on experiences and outcomes rather than ownership and assets.
- Flexible pricing models align cost with experience. The more flexibility, the higher the per-unit cost of an equivalent unit.

Guidance

- Vendors will need to clearly communicate purchase options, discounting practices, and renewal procedures and costs.

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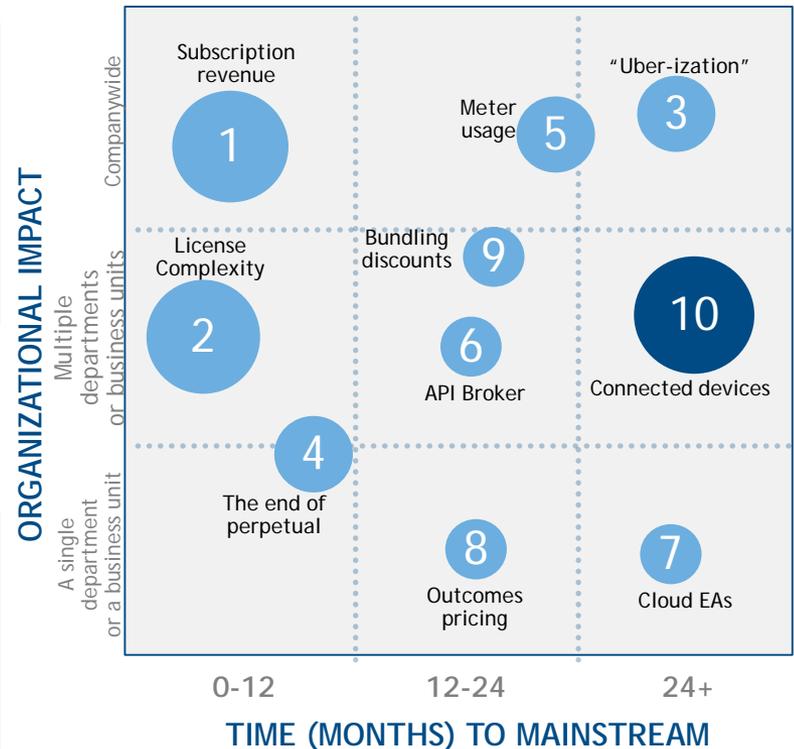
Impact

- Software will play an increasing role in your own product or service differentiation, reduction of inventory costs, protection of IP, and in flexible pricing and packaging options.
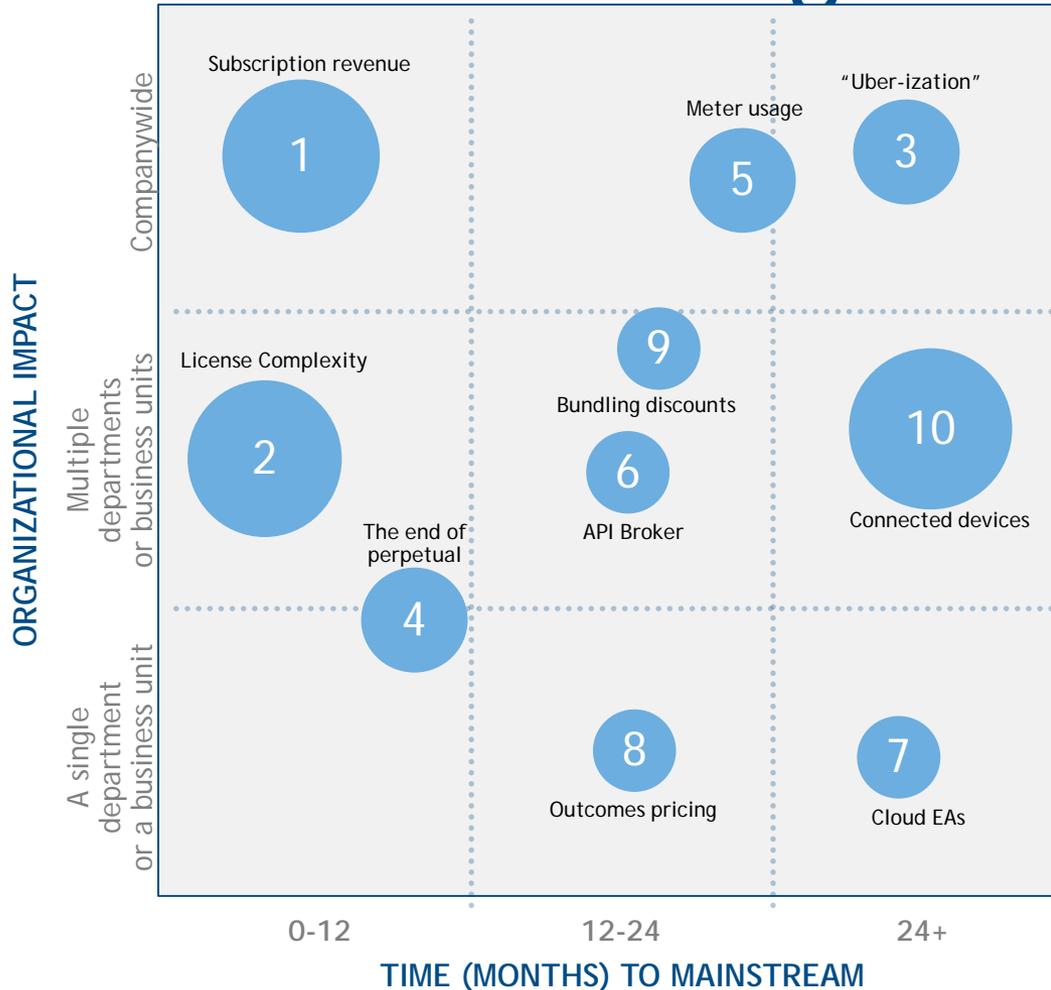
Guidance

- Systems designed to support physical products do not track usage or consumption.
- Process and cultural changes will be required.

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Thank You

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