



# Software Monetization Strategies for the Now! Economy

Austin Chiu  
Regional Sales Manager  
08.03.16



# AGENDA

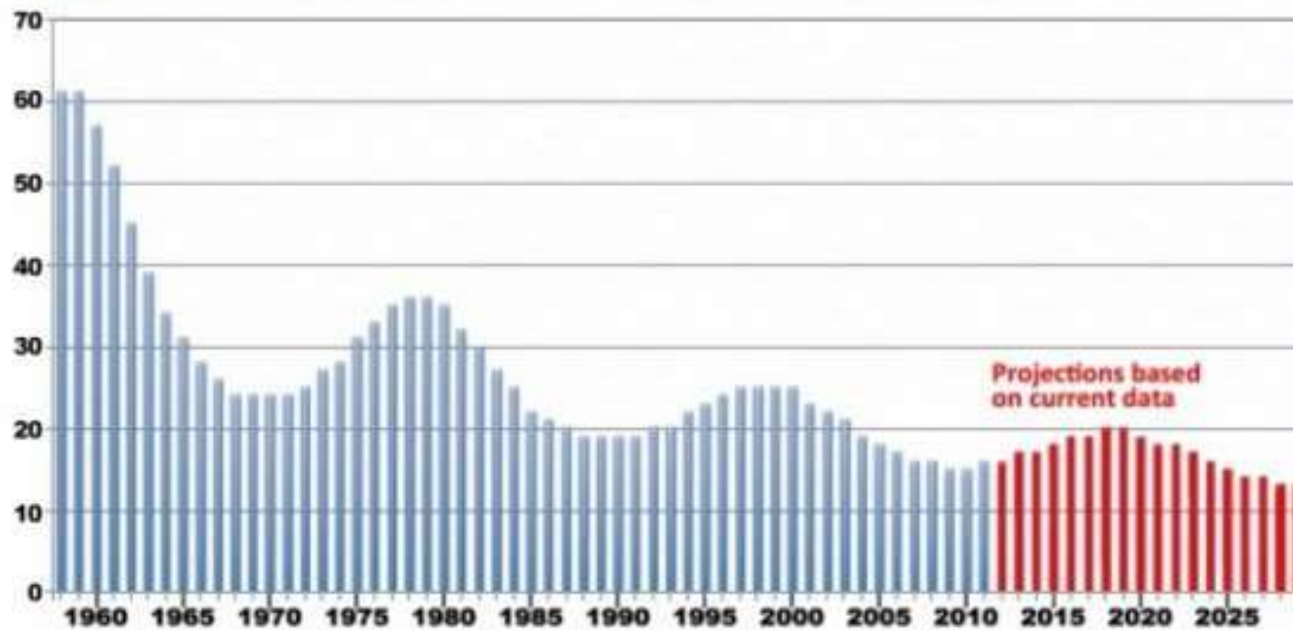
- **Market Trends and Dynamics**
- **Software Monetization Trends**
- **Software Monetization Strategies**
- **Wrap Up**

# Reality Check

- **52% of the Fortune 500 firms since 2000 are gone**
- **On average an S&P 500 company is being replaced every two weeks**

Source: Ray Wang, Constellation Research and Richard Foster, Yale

**Average company lifespan on S&P 500 Index (in years)**



*Year (each data point represents a rolling 7-year average of average lifespan)*

DATA: INNOSIGHT/Richard N. Foster/Standard & Poor's



# Digital Disruption



Mobile



Social



Cloud



Big Data



IoT







## Software is Eating the World

# THE WALL STREET JOURNAL. WSJ

## Why Software Is Eating The World

Article

Video

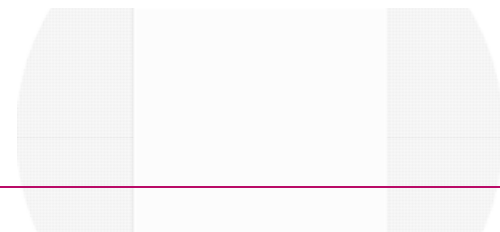
Comments (445)

By MARC ANDREESSEN

A A

This week, Hewlett-Packard (where I am on the board) announced that it is exploring jettisoning its struggling PC business in favor of investing more heavily in software, where it sees better potential for growth. Meanwhile, Google plans to buy up the cellphone handset maker Motorola Mobility. Both moves surprised the tech world. But both moves are also in line with a trend I've observed, one that makes me optimistic about the future growth of the American and world economies, despite the recent turmoil in the stock market.


In short, software is eating the world.







# Smartphone Trends

- Average time spent per month on Apps
  - 2012: 23:02
  - 2013: 30:15
  - 2014: 37:28
  - 2016:  ?
- Number of Apps utilized per month
  - 2012: 26.5
  - 2013: 26.8
  - 2014: 26.7

# Time Management

- 168 Total Hours in a Week
- Subtractions
  - Working: 60 Hours
  - Sleep: 56 Hours
  - Activities: 18 Hours
  - Dinner: 14 Hours
  - Commute: 8 Hours
- Remaining “Free Time”
  - 12 Hours (No Kids)
  - -14 Hours (Kids)



# Too Many Options!

- Any Liquid Beverage
- Apps
- Podcasts
- TV Channels
- Restaurant Reviews
- Kids Activities
- ....



# The **world** is changing

and it's not just about products and services- a great customer experience matters

# Gartner®

**89% of companies expect to compete primarily on the basis of customer experience 2016**

# Disney



# Buying patterns are the same



=



# Software Monetization Industry Trends

“The notion that there is huge difference between the *industrial world* and the *software world* is no longer valid....those days are over. **In today's world, everything is software**”



**Jeffrey Immelt**  
Chief Executive Officer  
General Electric



## Key Statistics



**81%** **SUBSCRIPTION REVENUE**  
of the top 100 software vendors have subscription revenues.

Source: Emerging Software Business Models in Third Platform Environments, IDC 2015



**63%** **CONSUMPTION MODELS**  
of enterprises expect to increase amount of software they purchase via consumption.

Source: Emerging Software Business Models in Third Platform Environments, IDC 2015



**59%** **IP THEFT**  
of software vendors identify a negative impact on bottom-line due to IP theft.

Source: The State of Software Monetization Survey, Vanson Bourne/Gemalto, 2015



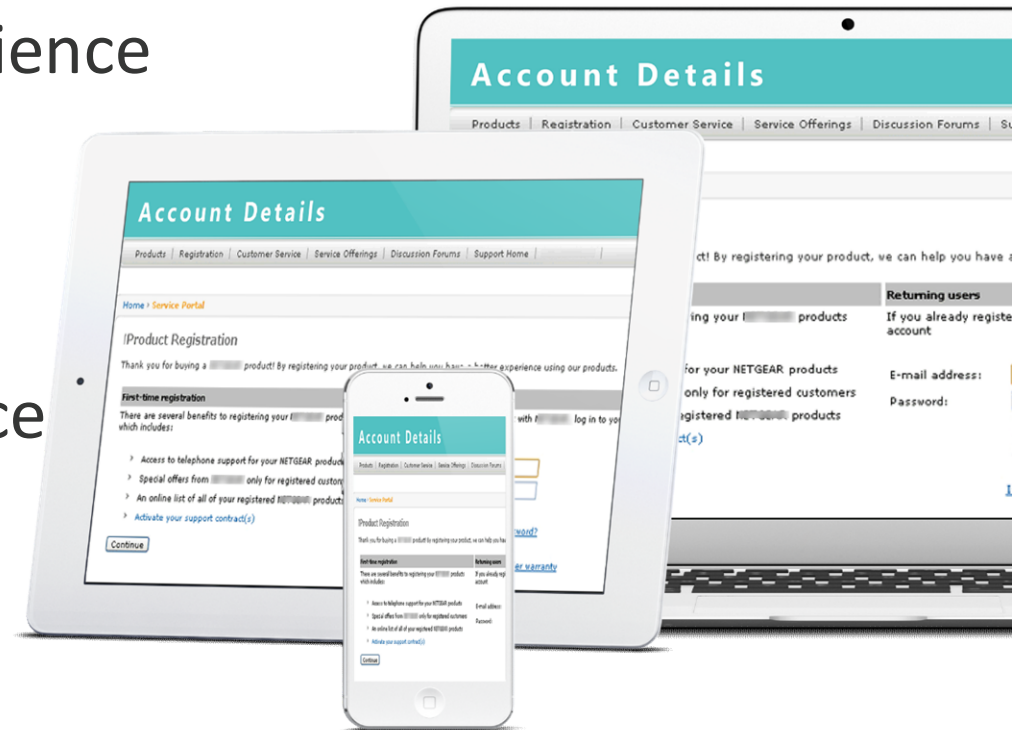
**73%** **NON-COMPLIANCE**  
of enterprises suffer from non-compliance with software license agreements.

Source: The State of Software Monetization Survey, Vanson Bourne/Gemalto, 2015



# The changing **relationship** with customers

- Better on-boarding experience
- More options
- Easy way to engage
- Great customer experience
- Fast response
- Insight on their behavior



# Software Monetization Strategies

The software monetization market is changing the way companies do business.



Impact of the Cloud



Subscription & Usage



Internet of Things



Back Office Automation



Business Intelligence



Multiple Devices



Customer Self Service



Virtualization

# Cloud Business Challenges

**Biggest Disruptive  
Trend in IT**

**Hybrid Models**

On-Premise | Private Clouds

**New Business Challenges**

Provisioning | Tracking | Entitlements

Licensing | Usage Measurement

The Cloud is changing the way companies  
distribute and provision their products and services.

# Cloud licensing provides

- **New business Versatility**
  - Adapt packaging and licensing models to meet evolving business needs and market trends
- **Product Usage Insight**
  - Gain full visibility into customer contracts, feature usage, and service agreement status
- **Lifecycle Management**
  - Centralize, automate, and manage operational and support activities across the entire licensing lifecycle



**stryker**

## SENTINEL DELIVERABLES

1. Sentinel Cloud: EMS
2. Cloud Connect
3. Back-Office Integration
4. Professional Services-licensing workshop and blueprint

# Cloud **licensing** implementation

## COMPANY PROFILE

Name: Stryker Corps  
Industry: Medical Devices  
Country: United States  
Revenues: NA

## REQUIREMENTS

1. Reduce support and activation costs
2. Same day product activation
3. **Flexible pricing models/new models**
4. New Enterprise -wide licensing & entitlement management
5. Integration with in-house back office

## THE GEMALTO SOLUTION

Replacement of dongles and transfer of medical device hardware to a cloud-based licensing model to meet demands of hospitals and surgeons

## BUSINESS IMPACT

1. Streamlined operations
2. Expanded license models
3. Reduced operation costs
4. Improved customer experience & satisfaction
5. New revenue streams

# The Shift in **Licensing Models**



## Perpetual

- Conventional method.
- Dominated market in the past. No longer effective.



## Subscription

- Pay-Per-Month/Year.
- Attractive model with no up-front investment.



## Usage Based

- Growing consumer demand.
- Requires cloud billing and usage feeds.

Perpetual pricing has dominated much of the software space in the past. Now there is a clear shift towards subscription and usage based licensing

# Recurring vs. Non-Recurring Revenue

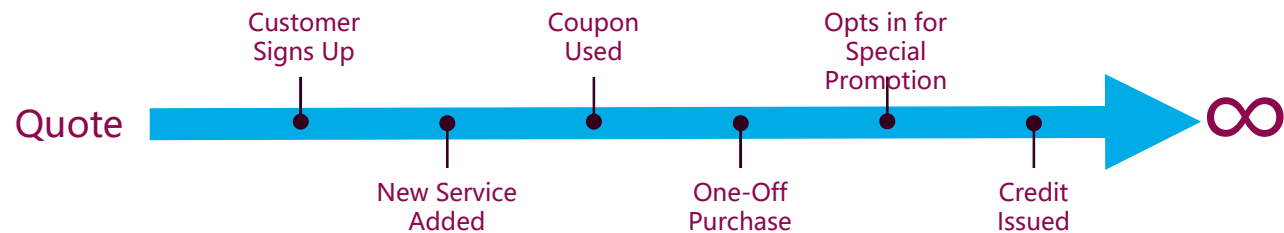
## Non-Recurring Revenue

- Customer acquisition
- Customer reacquisition
- Focused on one big transaction: quote-to-cash



## Recurring Revenue

- Customer acquisition
- Customer retention and upsell
- Not just one transaction, but an infinite number of potential transactions and interactions





**ERICSSON** 

## SENTINEL DELIVERABLES

1. Sentinel Cloud
2. Consulting services
3. Integration Support
4. Customizations
5. In-house operation of Sentinel Cloud

# Usage Based Pricing

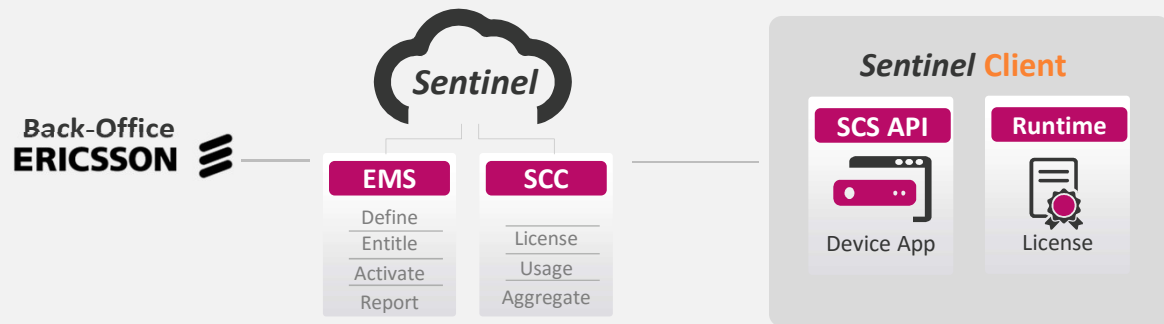
## COMPANY PROFILE

Name: Ericsson  
Industry: Telecom Supplier  
Country: Sweden  
Revenues: \$US 9.8 BN

## REQUIREMENTS

1. Pay-per-use pricing models.
2. Mass usage data collection.
3. Telco-grade high availability and ultra-high performance.
4. Entirely hosted and operated by Ericsson.

## THE GEMALTO SOLUTION



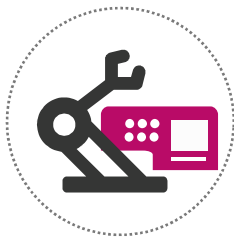


# Focus of **Hardware Vendors**

- **Product Differentiation**
  - Software features increasingly important for hardware vendors.
- **Engineering Expertise**
  - Many of the engineers are actually software developers.
- **Licensing & Packaging**
  - Allows different end-user packages from same stock-keeping unit



# IoT Business Transformation



## Devices

- Isolated Environment
- Physical Deployment
- Perpetual Sale



## Lifecycle

- Remote Support
- Automated Upgrade
- Customer Insights



## Ecosystem

- Usage Analytics
- Services Monetization
- Third party Software

Device manufacturers now need to support the complete product life cycle and operate in the IoT eco-system

# Usage Tracking

- **Entitlement Management**

- How many licenses sold, what versions, and what type of support.

- **Usage Measurement**

- How many trials vs activations.
- What features are used and how often.
- Insights for product improvements

- **Real-Time Feedback**

- No need for Focus Groups or anecdotal feedback from the field



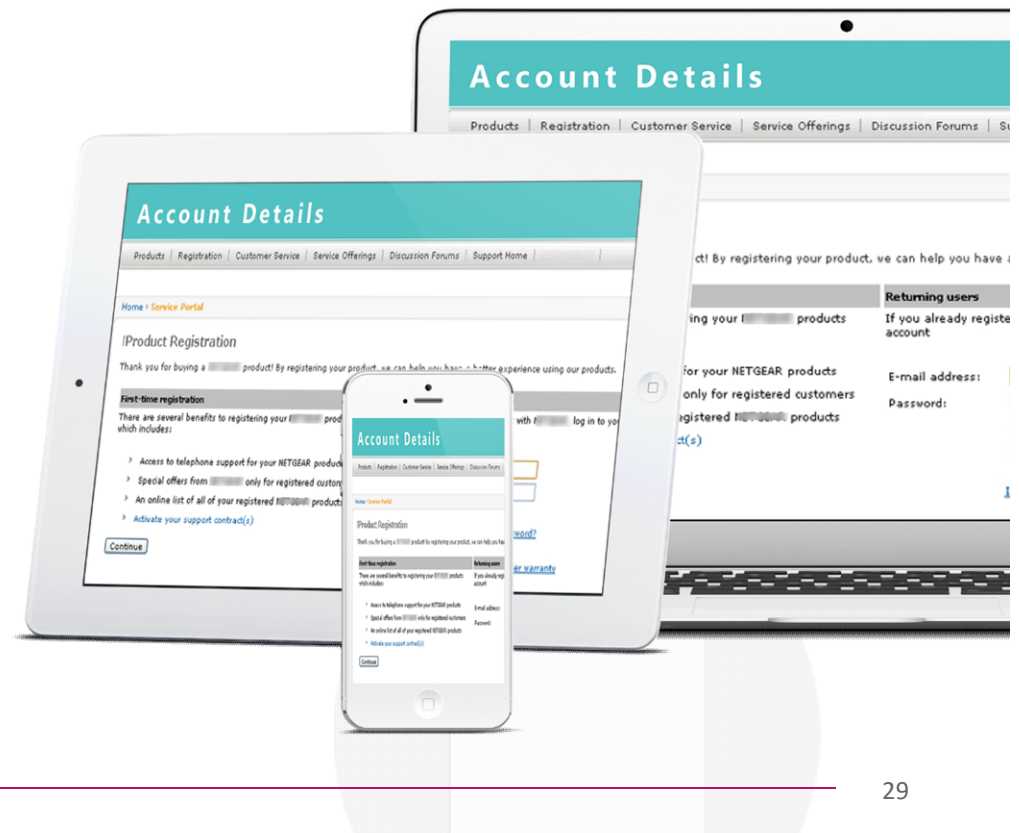
# Back-Office Automation

- **Business Value**
  - The prime driver is Cost Reduction.
- **Licensing Integration**
  - Licensing needs to be integrated into back-office systems (CRM, ERP)
- **Customer Benefits**
  - Faster speed of delivery
  - Improved data consistency

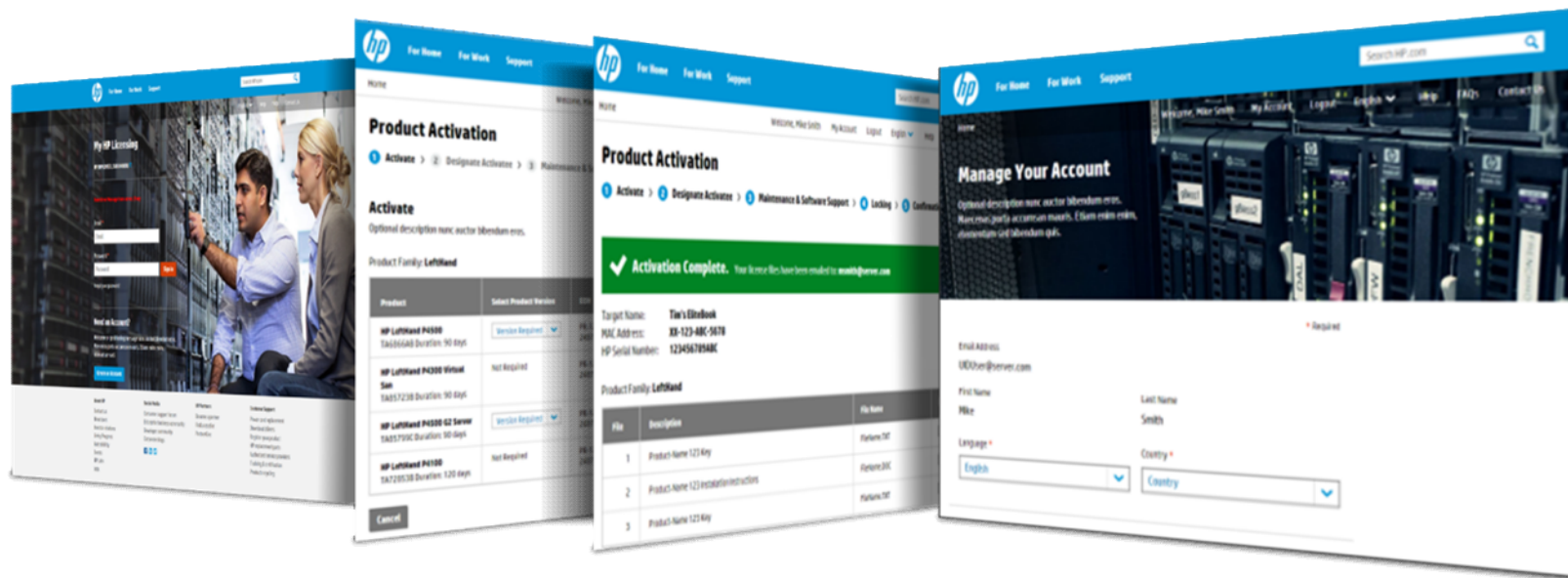


# Customer Self-Service

- **Customer Satisfaction**
  - Improved customer experience.
- **Responsiveness**
  - Instant response to customers with 24/7 availability.
- **Life Cycle Support**
  - From license activation to review of unused licenses.
- **White Labeling**
  - Branded per vendor guidelines.



# HP Enterprise Customer Portal



Homepage | Product Activation | License Key Delivery | Account Management

# Virtualization

- **Widespread Use**

- No longer a trend.
- Virtualization is now standard for many enterprise customers.

- **Key Challenges**

- Virtualization leads to intentional or unintentional copies of licenses.
- Machine-locked licensing increasingly difficult.

- **The Solution**

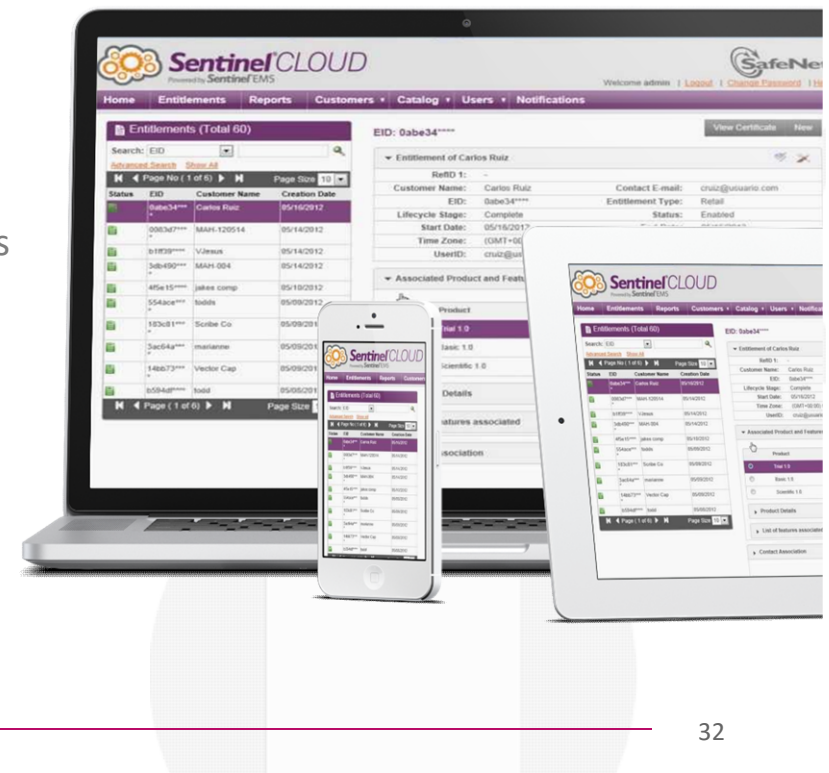
- Licensing through the Cloud avoids all 'locking' issues





# Multi-Device Support

- **Device Proliferation**
  - Many users have access to more than one device.
- **IT Consumerization**
  - Business users need to access licensed applications from multiple devices.
  - Traditional machine-locked licensing solution no longer applicable
- **Cloud Based Licensing**
  - Businesses can deliver multi device support via the cloud.





## In summary

- Listen to customer feedback
- Learn how the customer is really using your product
- Make things easier for the customer
- Provide flexible solutions for the customer



# Please join us at Licensing Live!

- **Why:** Listen to Industry Experts, Gemalto Customers, Software Executives, Software Developers, and Product Managers talk about Software Monetization Strategies
- **When:** November 1-3
- **Where:** Juniper Hotel (formerly The Cypress Hotel), Cupertino, CA
- **Cost:** Free!
- **Main Page and Registration Link:**  
<http://licensinglive.com/events/licensinglive-2016/>



This presentation brought to you by Gemalto

**THANK YOU !**

