

# Software licensing flexibility is key - SD Times

*Lisa Morgan*



Today's businesses run on software, but the ways they want to license it are changing. To keep pace with end users' expectations and to stay competitive, software companies are embracing more types of licensing models, including perpetual, subscription, pay-per-use, hybrid and others. On-premise licenses are being supplemented with or replaced by SaaS alternatives, and more developers are selling apps via app stores.

Meanwhile, intelligent device manufacturers are putting more

emphasis on software because it helps them differentiate their products and take advantage of new revenue opportunities. As technology evolves and as user expectations continue to change, software developers and intelligent device manufacturers need reliable and flexible means of protecting, monetizing and monitoring the use of their intellectual property.

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“We’re noticing a steady shift away from the traditional models. What’s still top of mind is how you get from a perpetual license to a subscription-type model,” said Jon Gillespie-Brown, CEO of Nalpeiron. “Quite a few people say they like what Adobe did with Creative Suite, [not realizing] what it took to do that, but in general people want to know how they can transform their businesses.”

Intelligent device manufacturers are changing their business models too.

“Software is becoming a more significant part of their IP, and we often find our hardware customers are spending 70% to 80% of their R&D budget on software versus hardware,” said Shlomo Weiss, SVP of software monetization at Gemalto. “With the cloud connectivity, the environment in which the devices are being deployed, they’re starting to think how they can become service providers as well as device vendors. [They want to] start offering recurring business models and become players in the Internet of Things.”

Maximizing revenue potential and profitability from a new business model is easier said than done. Adopting subscription models has forced software providers to rethink how they build, package, price, sell, license, deploy and maintain their software, which impacts virtually every area of the business.

“You have to think about how to support a subscription model, the move to a cloud offering, [and] a hybrid offering where I’m selling on premise and in the cloud,” said Weiss. “How do I support my customers that are deploying software in a virtual environment? The pure software companies are going through a business transformation.”

### **How the market is evolving**

Most new software companies are SaaS-based out of the gate. While a number of application vendors now offer on-premise and SaaS alternatives (or they’ve replaced their on-premise offerings with SaaS products), some have not moved at all. IDC estimates that 27.8% of the worldwide enterprise applications market will be SaaS-based by 2018, up from 16.6% in 2013. Meanwhile, metering (a.k.a. pay-per-use) is also expected to gain traction.

“The traditional users of software license management are in a broad set of groups,” said Nalpeiron’s Gillespie-Brown. “The EDA vendors sell very expensive software in small amounts, generally on a network, and the business is much less likely to be affected by [the SaaS] type of approach. The people it does affect are the people selling [business to consumer] where the consumer is changing more rapidly. B2B is in a much slower stream.”

Next up is metering, because users are starting to realize that they're underutilizing packaged and subscription offerings. That gives software companies yet another concept to consider: software as a utility.

"In the future, everyone will do metering or variations on that theme," said Gillespie-Brown. "You need much more sophisticated tools to connect to the user and the user experience so the end user can be switched on or off, or they can switch things on or off, and you need a method for capturing what they did and how much they consumed. The big guys are very much into metering because their big users are saying they want to pay for what they use. They're using 60% or 75%, or they don't know what they're using."

Unlike perpetual and subscription models, the pay-per-use model requires end-user reports about what they're using, when they're using it, and to what degree. Like SaaS, there's some resistance to the model among software providers because it disrupts the existing economic model.

"If you're a pure-play software provider or a device vendor moving toward the Internet of Things, what you think is true for today, but you don't know how that's going to evolve," said Gemalto's Weiss. "The markets and business models are moving so quickly [that] you need to ensure that whatever you're doing today is going to serve you, and you really want to take a strategic view of where you want to go. What kind of customer experience do you want to support? And how do you plan your software monetization strategy or software licensing strategy and the business processes in order to so support that and then go from there? Too often we find people just kind of jumping in and finding these point solutions to solve a specific business problem [when] then really need to be thinking in

terms of long-term success.”

Gemalto calls its broad approach “future-proofing.” Nalpeiron completely rebuilt its platform so customers can choose any combination of license types and benefit from analytics.

### **The intelligent future**

One benefit of moving to SaaS or metering is data analytics. Traditional software provided no insight into product usage or user experience, but companies like Gemalto and Nalpeiron are changing that.

“If you have SaaS, theoretically you have a better view into what your customer is actually using. But with today’s software methods, you can have visibility no matter where the customer is actually deploying and using the software,” said Weiss. “So, if the software is being used in the cloud or on-premise or from a mobile device, if it’s a center with cloud connectivity and cloud licensing, you can understand whether they’re using your software, how they’re using it, which models they’re using, and then use that for billing purposes and business intelligence purposes.”

Nalpeiron is aggressively promoting its analytics capabilities and plans to place greater emphasis on that in the near future.

“Mobile had analytics from Day One,” said Nalpeiron’s Gillespie-Brown. “Desktop software and enterprise software are just catching up to the fact that they need analytics. It’s not like they’re telling me it’s the answer to their dreams; it’s like, ‘Yeah, this is a good idea.’ They use it on SaaS and mobile. They can see the architecture of their customers, which machines they’re using, which devices, where they’re having problems, and what they like and don’t like about the product. When you have that capability you can do some really cool stuff.”

The “cool stuff” is what allows software teams to focus their efforts on the features, functions and user experiences customers actually want. It also enables cross-selling and upselling opportunities that are more relevant and targeted.

“Software licensing has been a barrier to the customer. ‘I don’t trust you, so I’m locking my software,’ ” said Gillespie-Brown. “With analytics, you know how your customers are using your software, and they can tell you what they think of it. You can improve the software in relevant ways because you’re much closer to the customer.”

## **A guide to software licensing services**

**Agilis: Nephele** is an affordable enterprise-class cloud licensing service for enterprise ISVs and cloud service providers on all major platforms. Nephele provides a full range of capabilities, including product activation, Internet-based floating licensing, enterprise license pooling, and complex license configurations for Internet-connected and disconnected systems. Nephele's automation, proactive alerting and self-service offline capabilities, together with its comprehensive auditing and reporting functionality, enable you to realize zero cost of operations for license operations and administration and management of trial licenses, and at the same time gain an in-depth and actionable insight into licensed software usage by your customers.

**Az-Tech Software: EverKey** allows fine-grain control of where and how software products are used. It provides the flexibility to market software as a standalone package, trial evaluation, or bundled with other products. Using EverKey, it is easy to control execution limits, time limits and feature limits. The product reduces software piracy risks, helps end customers comply with license agreements, and enables more effective marketing of software products.

**Flexera Software:** Flexera empowers application producers to maximize new and recurring revenue through flexible software licensing, activation, delivery and full life-cycle management of customer usage rights. Flexera's Software Monetization solutions enable rapid adoption of new business models for on-premises, cloud, embedded and mobile applications; streamline quote-to-cash processes; ensure revenue recognition; deliver a positive customer experience; and reduce operational costs and complexities.

**InstallAware: InstallAware Developer** is a powerful software installation solution for Windows Installer that enables MSIcode scripting for rapid setup development. It is less costly and easier to use than some other solutions. The product was recently enhanced with DRM protection for any Win32, Win64 or .NET application that does not require changes to existing source code. InstallAware Developer can also detect and manage setups on virtual machines.

**jProductivity: Protection** is a powerful, flexible and multi-platform license manager, which provides licensing to cloud, enterprise, server and desktop applications. Protection can be quickly and easily adapted to any business model, letting vendors have full control over all aspects of licensing and user tracking. With Protection, vendors can significantly minimize or completely reduce unauthorized use of their applications, dramatically increasing a vendor's revenue.

**License4J: License4J** is a solution set for Java software product licensing that includes Java libraries, a license manager tool, automatic license-generation capabilities, an activation server application, and a floating license server to generate and validate license text, license keys, and floating license files. A pure Java runtime library provides static methods for license validation, online activation, deactivation and validation.

**Mirrasoft: Mirrakey** is a simple licensing system that generates CD keys and license keys for software activation and registration. It easily integrates into development projects, providing instant license key validation. Developers have the option of using Mirrakey's built-in license key manager or using their own. As an ActiveX DLL, Mirrakey supports any COM-compliant development environment.

**Nalpeiron: Nalpeiron Licensing and Analytics Service** enables software providers to control their applications with flexible and easy-to-implement license management. Users can be migrated from existing licenses to Nalpeiron using an out-of-the-box solution with a 99.9% uptime SLA. The platform also offers real-time feature usage analytics to focus engineering efforts. Nalpeiron is platform-and device-agnostic, and allows organizations to outsource their licensing infrastructure.

**ObjectLock: ObjectLock** is a flexible software-licensing system that allows developers to license software and protect copyright holders under Windows and Linux. It currently has a Java GUI, and it consists of C++ subsystems for X.509 and RSA. The technology includes proprietary algorithms for encryption, decryption and copyright protection.

**Reprise Software:** Reprise offers software publishers several **software-licensing toolkits** that provide all that is needed to build a comprehensive copy-protection and licensing strategy for a wide set of application categories. The kits include a licensing API with documentation, tools for license generation, and management utilities. Supporting these kits is an optional license activation and entitlement-management system called **Activation Pro**, which can be self-hosted by the ISV, or hosted by Reprise Software as a service.

**SafeNet: Sentinel** is a robust portfolio of products and services that address every aspect of the software monetization life cycle, from copy and intellectual property protection to product catalog management and end-user experience improvement. Sentinel allows developers to monetize any type of software, whether it is installed, embedded, or a cloud service using any combination of business models, sales channels and devices.

**SoftwareKey: Protection PLUS** creates trial and full licenses based upon time, subscriptions, consumption, number of executions, current users, features, and custom parameters. It supports Windows, OS X, Linux, native, .NET, Java, LabVIEW and Android. For a turnkey solution, **SOLO Server** automates Electronic License Activation and maintains control afterward with Electronic License Management. Integrated e-commerce supports recurring subscriptions.

**SoftwareShield: SoftwareShield** is a cross-platform (Windows and OS X) professional DRM solution. Using SoftwareShield, developers can quickly add a trial to their applications and limit the duration of the trial by use or by time period. It provides unlimited feature locking with minimal code integration, and it does not require additional dependencies. SoftwareShield supports both online and offline activations. It also has a cloud-based license server- and license-management Web portal so developers can manage projects and serial numbers online.

**Soraco: Quick License Manager (QLM)** adds software license protection to applications using secure asymmetric license keys. Developers can provide their customers with trial license keys, or bind the license key to a specific computer to prevent software piracy. QLM fully automates the sales and license key distribution process with online activation. It supports multiple business models, platforms and languages.

**StrongBit Technology: HardKey License Manager** is an easy-to-use and robust software license-management system. The encryption engine allows short serial numbers to be created and verified while preserving a high level of security. It includes public key encryption, a serial number verification module, full-featured serial number support, and external serial number generation.

**Wibu-Systems: CodeMeter License Central** enables the creation, management and distribution of software licenses. It allows even complex licensing models to be mapped in a straightforward manner to meet requirements. Code Meter License is available as a turnkey Desktop Edition and as an Internet Edition. Automated license delivery with online activation is also available.

**X-Formation: LM-X License Manager's** simplified software license-management experience allows ISVs to control their license policies externally from applications and enforce various levels of security to reduce potential license overuse. LM-X fulfills both simple as well as most sophisticated software license-management needs by offering many options for bundling and configuring products so that ISVs can target multiple market segments and meet the needs and budgets of all types of customers.