2012 Key Trends in Software Pricing & Licensing Survey

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Contents

2012 Key Trends in Software Pricing & Licensing Survey

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Overview of Survey Findings

The 2012 Key Trends in Software Pricing and Licensing Survey of 334 participants, prepared with assistance from IDC, found that:

Software Licensing, Pricing, Flexibility & Value

- **New ways to consume and pay for software abound:** A growing diversity of software pricing models are being demanded by enterprises and provided by application producers, signaling a market trying out new software consumption models.
  - Node locked (40%) and feature concurrent user (floating or network license) (39%) are the most prevalent pricing models being offered by producers. Device-based pricing (23%) and feature-based concurrent user (floating or network license) (19%) are the most popular pricing models with enterprises.
- **Application producers feel they're delivering more value than they're getting paid for, enterprises say they're receiving less value than they're paying for:** A significant proportion of application producers feel their licensing and pricing strategies are not effective in capturing the value their software provides. In contrast, a good percentage of enterprises register varying levels of dissatisfaction with the price-to-value they receive from their software.
  - Nearly one quarter (24%) of application producers believe their licensing and pricing strategies are either ineffective or very ineffective. Enterprises indicated most frequently they were either unsatisfied or very unsatisfied with the price-to-value of their ERP software (25%), database software (22%) and CRM software (20%).
- **Producers trying to close the value-to-satisfaction gap:** Application producers are changing their licensing and pricing strategies in order to strike the difficult balance between simultaneously increasing revenue streams and increasing customer satisfaction.
  - 42% of application producers report that over the past 18-24 months, their software pricing and licensing strategies have changed in order to increase revenues, improve customer relations and enter new markets. Over the next 18-24 months, application producers said they would add subscription/term licensing (26%), better enforcement or security (24%), pay-as-you-use (24%) and add temporary/evaluation/ "try-before-you-buy" licensing (19%).

Software Usage Tracking, Optimization & Compliance

- **Application producers don’t know what products their customers are actually using:** Most application producers do not have technology in place to know whether their customers are actually using their products. Without this type of data feeding the product development and marketing process, making decisions such as when to end-of-life a product, when to stop support for an operating system, etc., can be challenging.
    - 48% of application producers (up from 40% one year ago) indicated that they do not have technology in place to know what product version or platform their customers are using and 13% do not know.
- **Most producers don’t believe enterprises manage entitlements:** Application producers seem to have a general lack of awareness around whether their customers manage their software licenses and entitlements, and whether this is a difficult task.
    - Almost a quarter of application producers (23%) believe their customers do not manage entitlements at all, and almost half (49%) believe that customers do manage entitlements – but do so manually with no or only some automation. In actuality, only 29% of enterprises surveyed said they actually manage their entitlements manually.
- **Enterprises recognize growing risk of failing to adequately manage their software licenses:** Enterprises overwhelmingly recognize the importance of software license management – yet they are failing to optimize their license estates, which they recognize is increasing their costs and risks.
    - Compared to other objectives, 82% of enterprise respondents (up from 72% a year ago) indicated that managing software licenses and usage is either important or very important. 33% of enterprises indicated they are either dissatisfied or very dissatisfied with their current method for managing software licenses and usage. 30% of respondents familiar with their companies’ practices in this regard, do not optimize their software estates by reconciling software usage data with product use rights. Only a minority of respondents answered “no difficulty” when asked to rate the difficulty of maintaining licensing compliance for the various types of applications they run.
- **License management challenges resulting in shelfware and out-of-compliant software use; enterprises turning to automation for help:** Because of the difficulties enterprises face managing their software licenses, increasingly they are over-using software they have (out-of-compliant use) as well as purchasing software they don’t need (shelfware).
    - 38% of enterprises indicated that 11% or more of their application spend is associated with applications that are overused, and therefore out of compliance, up from 26% one year ago. Likewise, this year 56% of enterprises say that 11% or more of their application spend is associated with applications that are under-used (shelfware), up from 49% last year. 67% of enterprises said they’re using some sort of automation to manage their software licensing and usage today.

Software Compliance Enforcement

- **Software license compliance audits continue unabated; large enterprises are the most likely targets of audits:** As application producers seek new revenue sources, and acknowledge they have poor visibility into customer software usage, software license audits continue to be a popular tool by which they enforce their license agreements.

    - 64% of enterprises reported that they have been audited (or had a license review) over the last 18-24 months. 36% report having experienced at least two audits over that time period, and 10% report that they've been audited more than 3 times. Large enterprises – those greater than $1B in revenue -- were significantly more likely to be audited three times or more in the last 18-24.
- **Multi-million dollar audit true-ups are common:** Enterprises, especially large ones, report that multi-million dollar software audit true ups are common, validating findings that application producers remain aggressive about enforcement as a source of revenue-leakage recovery.
    - 24% of enterprises said their total true-up paid over the past year was $1 million or more. 5% said theirs was between $5-10 million. And $4% said their total true-up costs were more than $10 million.
- **Microsoft is the most aggressive auditor:** For the second year in a row, enterprises report that Microsoft has been the most frequent auditor.
    - Enterprises say that over the last year, they've been audited most frequently by Microsoft (51%), followed by Oracle (27%), IBM (24%), SAP (22%) and Adobe (19%). 24% say they were audited by other vendors.
- **Enterprises are not practicing continual license compliance:** While organizations are conducting self-audits – they are doing so only infrequently.
    - 42% of enterprises indicated that they do self-audits at least once per year. 25% indicated they do self-audits more than three times per year. Large enterprises, those over $1B in revenue, were much more likely to have a regular self-audit process that occurred more than three times a year, with 30% reporting this to be the case (compared to only 10% of smaller organizations).

The Cloud and Virtualization

- **Virtualization and the cloud are prompting changes to licensing & compliance policies:** As new technologies take hold, application producers are thinking about how their licensing and compliance policies must change.
    - 48% of application producers indicated that their compliance/licensing policies will need to change to adapt to cloud technology. 43% say their policies will have to change to adapt to SaaS, 50% say changes will be required to adapt to virtualization, 47% will require changes for mobile platforms, and 34% will change to accommodate software appliances.
- **Server virtualization has the greatest penetration within enterprises, while other types are gaining hold:** Among the virtualization strategies enterprises are adopting, server virtualization has the greatest penetration.
    - 56% of enterprises report that 41% or more of their applications have been virtualized using server virtualization. 35% of respondents indicated that between 10-25% of their applications are delivered through application virtualization. 26% say that between 10-25% of their applications are delivered through SaaS, and 24% say that between 10-25% of their apps are delivered though desktop virtualization (VDI).
- **Virtualization adds license compliance risk:** Tremendous focus has been placed recently on the added software compliance risk exposure faced by enterprises due to virtualization. Some causes include the evolving rules around virtual licenses within software license agreements, and the sheer

difficulty in tracking virtual license usage. According to the survey, enterprises are not yet fully managing that risk.

- 43% of respondents indicate that either they don't manage their virtual licenses, or they do so manually.

Survey Background

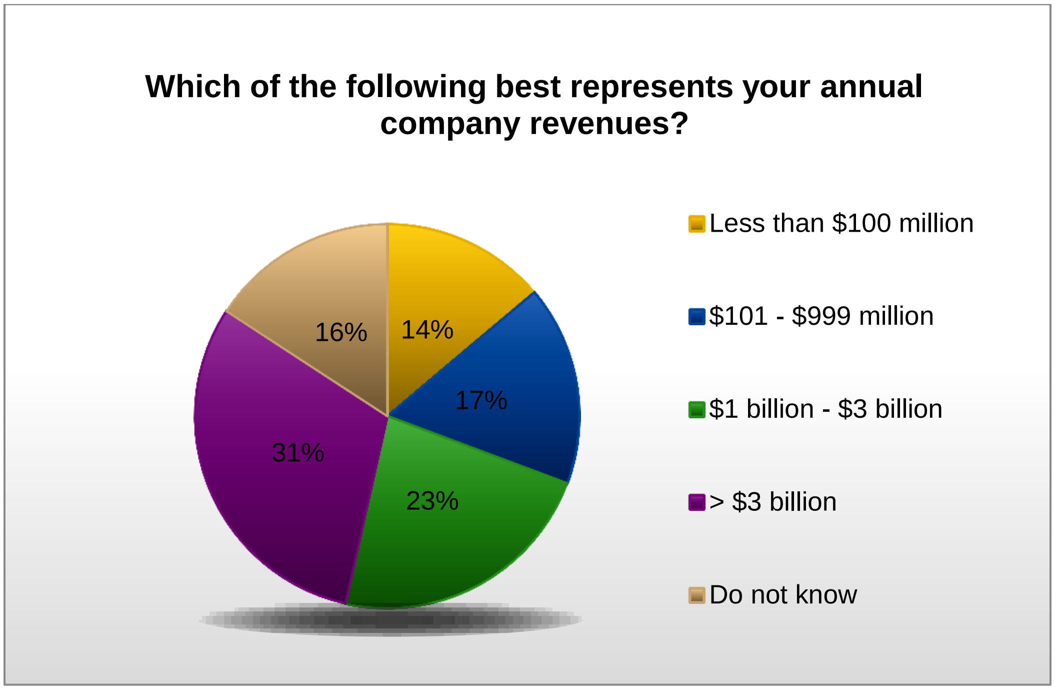
The *2012 Key trends in Software Pricing and Licensing* survey was conducted by Flexera Software with input from IDC's Software Pricing and Licensing Research division under the direction of Amy Konary, research vice president - software licensing and provisioning at IDC. This annual research project looks at software licensing, pricing and enforcement trends and best practices. The survey reaches out to executives at application producers (Software vendors and intelligent device manufacturers) and enterprises who use and manage software and devices. Now in its eighth year, the survey is made available to the industry at large each year.

Methodology and Sampling

In total, 334 respondents participated in the survey, including 101 enterprise executives and 233 application producer executives (defined as software vendors and intelligent device manufacturer).

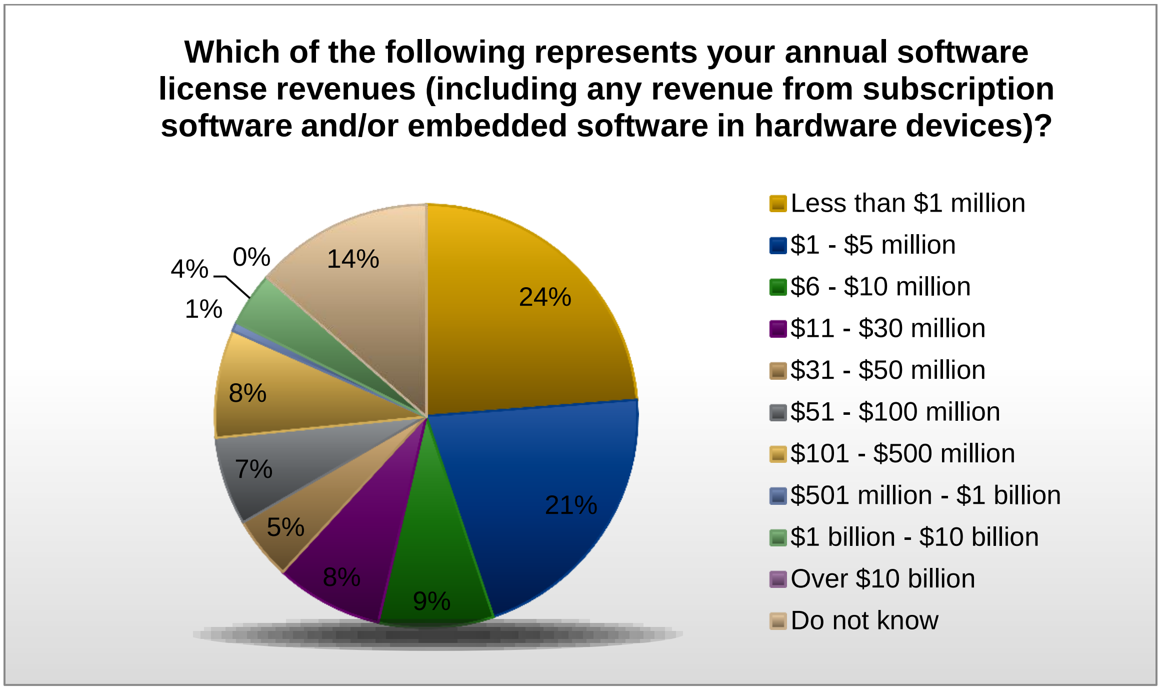
Enterprise Demographics

54% of the enterprise respondents were from larger enterprises of $1 billion or more in revenues and almost one third (31%) were from companies with $3 billion in revenues or more. 45% of respondents were from the United States, 33% were from Europe, and 7% were from Australia.



Application Producer Demographics

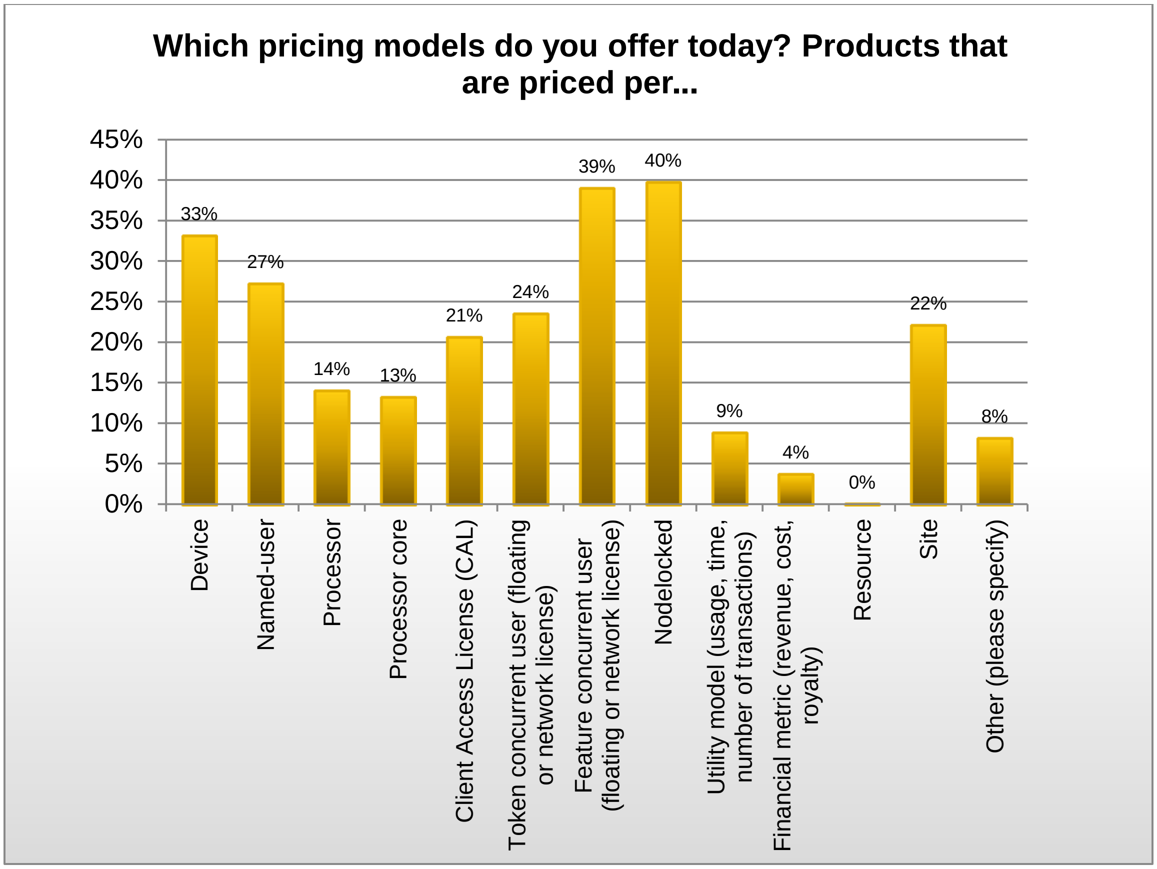
The largest segment of application producer respondents (54%) came from companies with $10 million and under in revenues. 4% of the respondents were from companies with $1 billion or more in revenues. The remainder of respondents was from companies ranging from $11 million to $500 million. 66% were from North America, 17% from Europe, 3% from Asia/Pacific, and 3% from the Middle East.

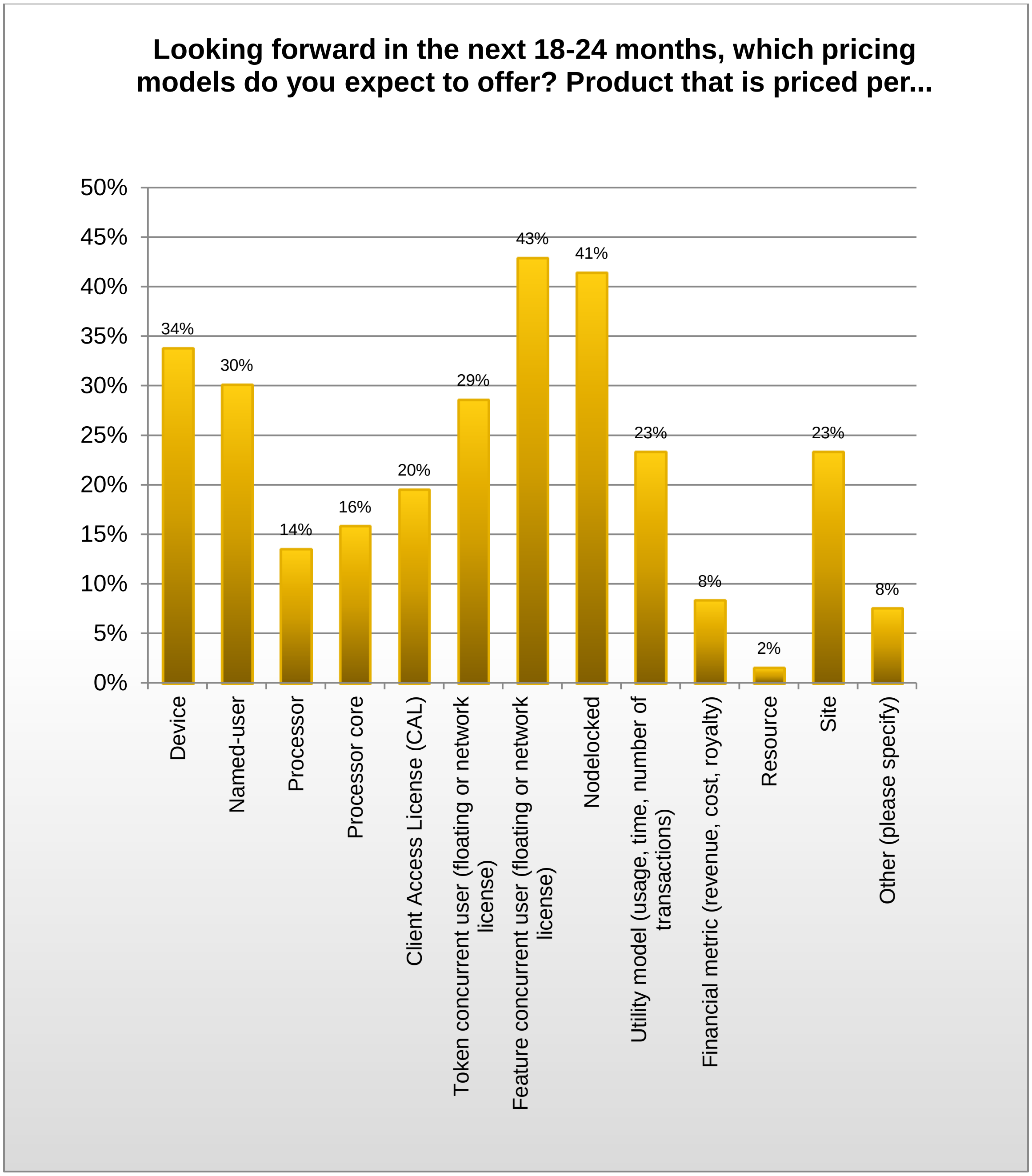


Software Licensing, Pricing, Flexibility & Value

Application Producers Offer A Wide Array of Software Pricing Models:

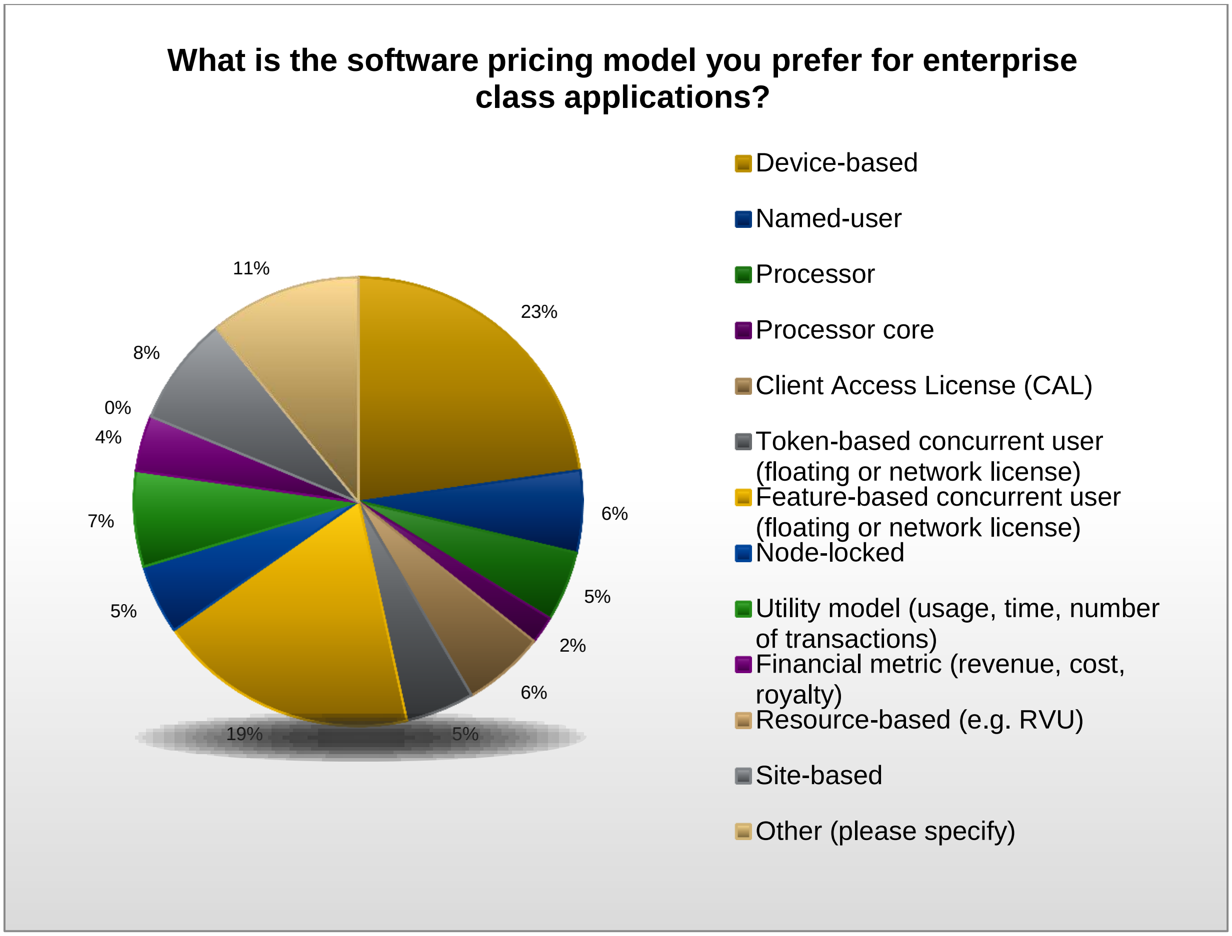
Application producers offer a wide variety of software pricing models, which reflects a great diversity in demand for how enterprises want to consume software. Node locked (40%) and feature concurrent user (floating or network license) (39%) are the most prevalent pricing models. Device (33%), named-user (27%), token concurrent user (floating or network license) (24%), site (22%) and client access license (CAL) (21%) are also popular. Looking out over the next 18-24 months, feature concurrent user (floating or network license) and node locked licensing are expected to remain the most prevalent. However utility model (usage, time, number of transactions) is expected to grow by 23%, further signaling increased interest in usage-based pricing.


Which pricing models do you offer today? Products that are priced per...
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
33%
27%
14%
13%
21%
24%
39%
40%
9%
4%
0%
22%
8%
Device
Named-user
Processor
Processor core
Client Access License (CAL)
Token concurrent user (floating or network license)
Feature concurrent user (floating or network license)
Nodelocked
Utility model (usage, time, number of transactions)
Financial metric (revenue, cost, royalty)
Resource
Site
Other (please specify)


Looking forward in the next 18-24 months, which pricing models do you expect to offer? Product that is priced per...
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
34%
30%
14%
16%
20%
29%
43%
41%
23%
8%
2%
23%
8%
Device
Named-user
Processor
Processor core
Client Access License (CAL)
Token concurrent user (floating or network license)
Feature concurrent user (floating or network license)
Nodelocked
Utility model (usage, time, number of transactions)
Financial metric (revenue, cost, royalty)
Resource
Site
Other (please specify)

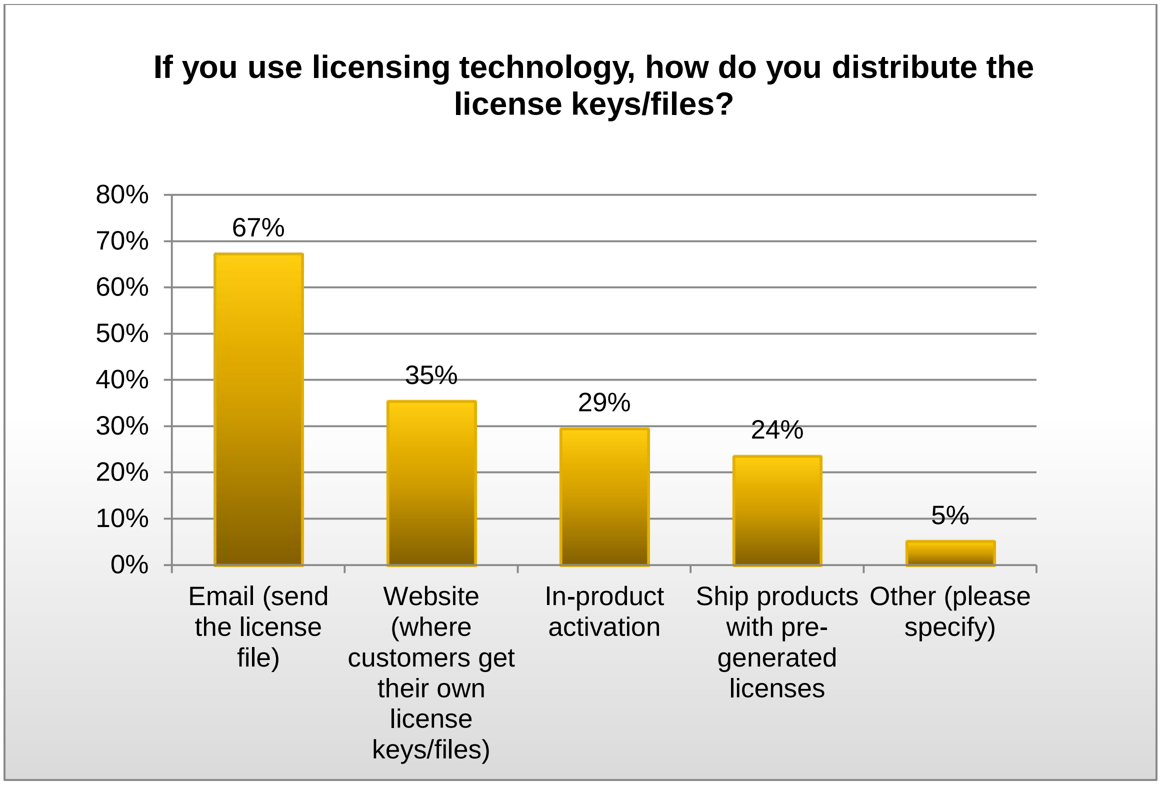
Enterprises Demand a Variety of Pricing Models

The diversity of licensing models offered by producers makes sense as we examine enterprises' pricing model preferences. Device-based pricing (23%) and feature-based concurrent user (floating or network license) (19%) are the most popular pricing models with enterprise respondents. Enterprises also prefer site-based (8%), utility model (usage, time, number of transactions) (7%), named user (6%) and client access license (CAL) (6%). The diversity of responses indicates enterprises place different value on software depending on business need.



Application Producers Predominantly Deliver Licenses via Email

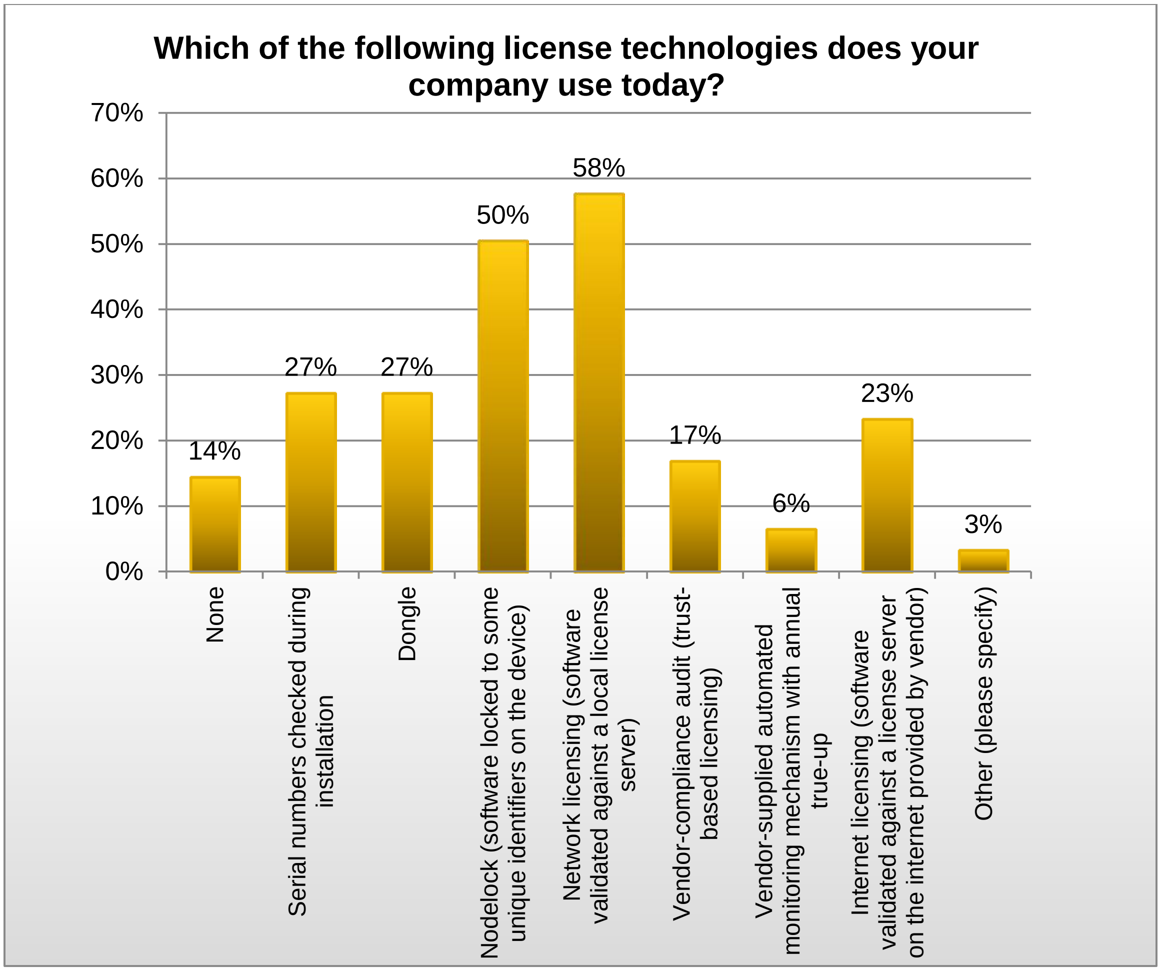
67% of application producers indicate that they send license keys to customers via email. 35% utilize self-service web portals to allow customers to access their own licenses. 29% favor in-product activation, while 24% ship their software products with pre-generated licenses. In-product activation is considered the most user-friendly of activation methods. With only 29% of producers surveyed utilizing this method to distribute license files, demand will likely grow as the consumerization of IT continues to take hold.

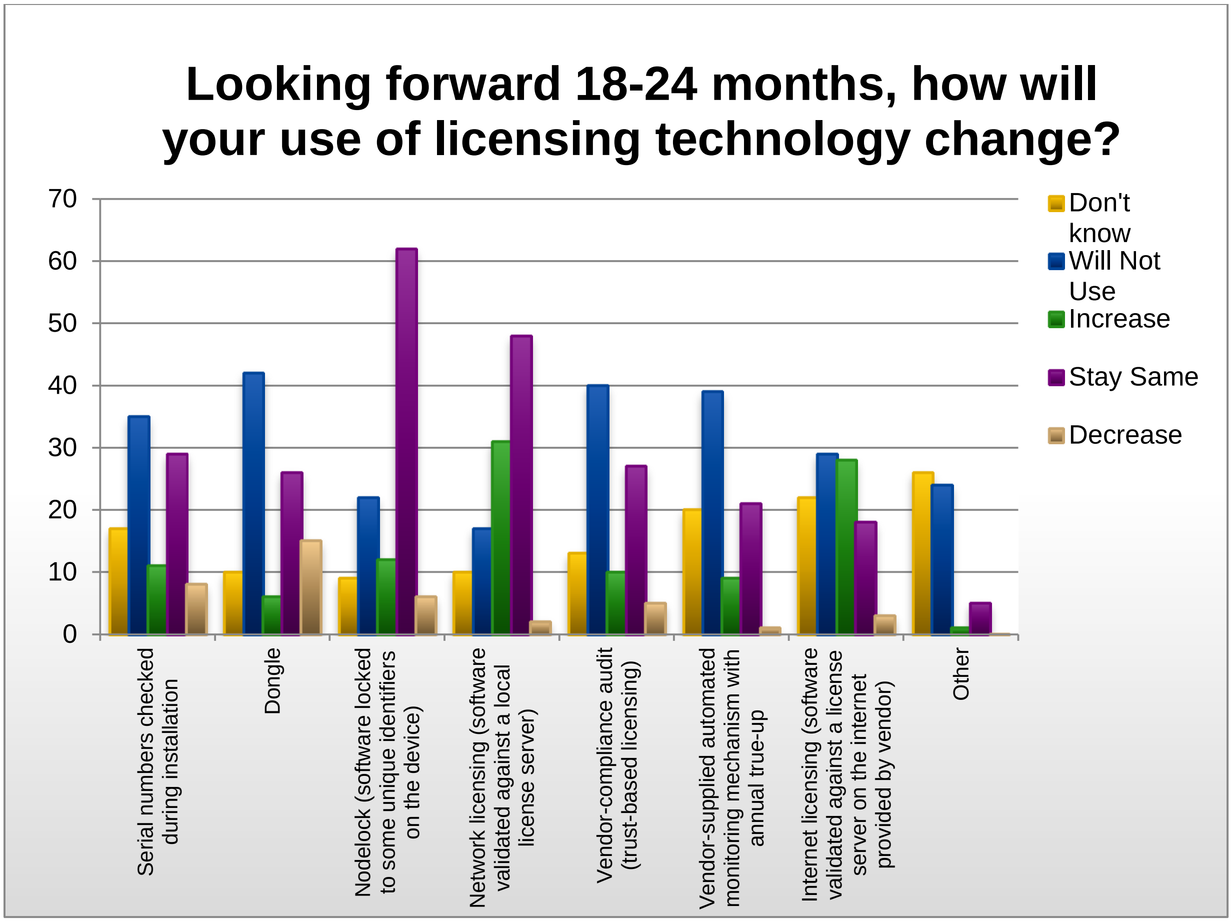


Producers Prefer Node Lock and Network Licensing Technologies

The majority of application producers utilize network licensing (58%) and node lock (50%) to license their technology. Other popular methods include dongle (27%), and Internet licensing (software validated against a license server on the internet provided by vendor) (23%). Between producers that report they don't use licensing technology (14%) and those that use only minimal licensing protections -- serial number checks during installation (27%) – producers have a significant opportunity to invest in licensing technology to enhance the customer experience.

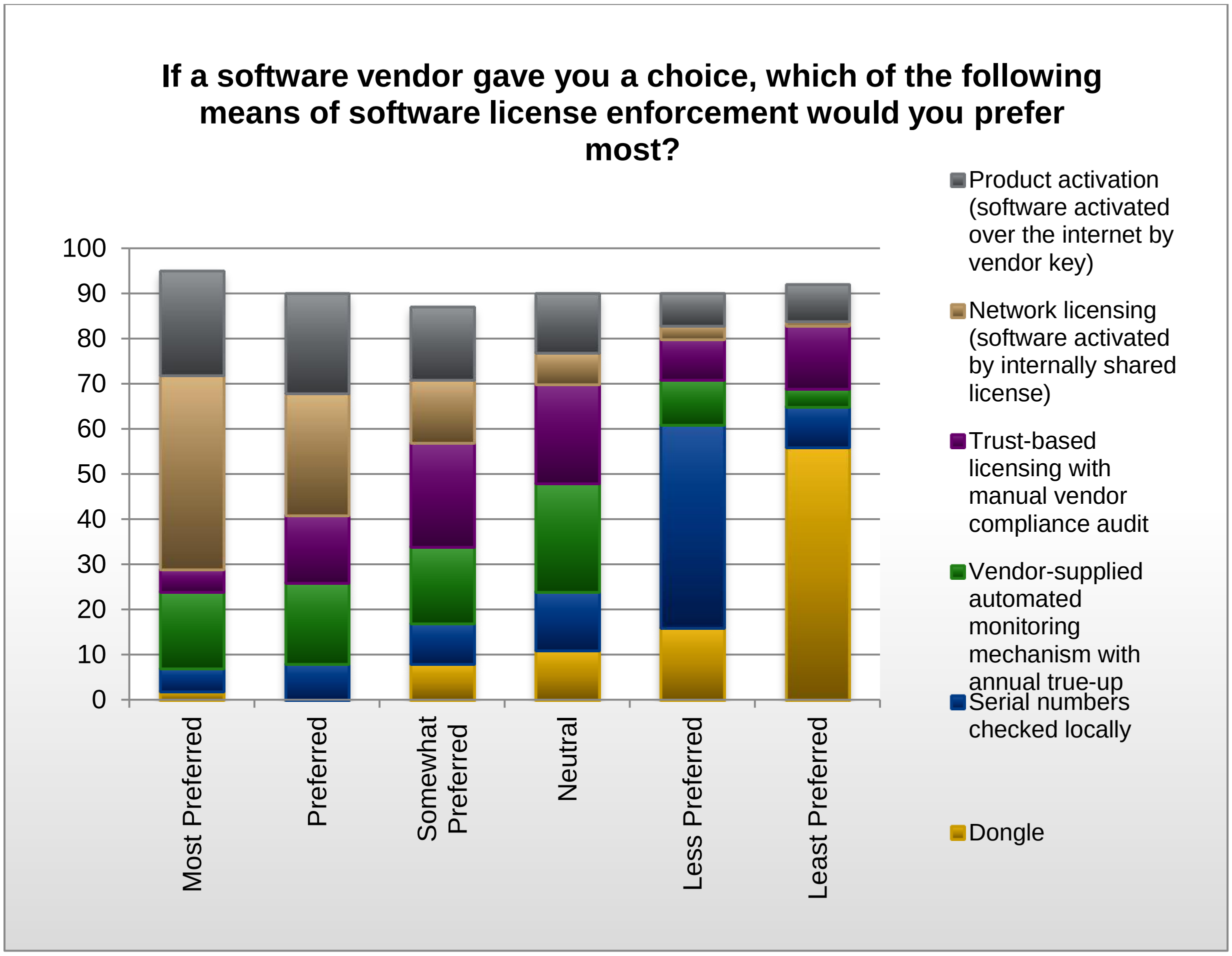
Looking into the future 18-24 months, software-based solutions for licensing are expected to increase as compared to dongles. Dongle use is expected to decline by 15%, which correlates to the fact that 56% said dongles are their least preferred means of software license enforcement. Producers expect their use of network licensing to increase by 29%, and Internet licensing by 28% Vendor-compliance audit (trust based licensing) is also expected to increase by 11% – suggesting a continuation of the audit trend.





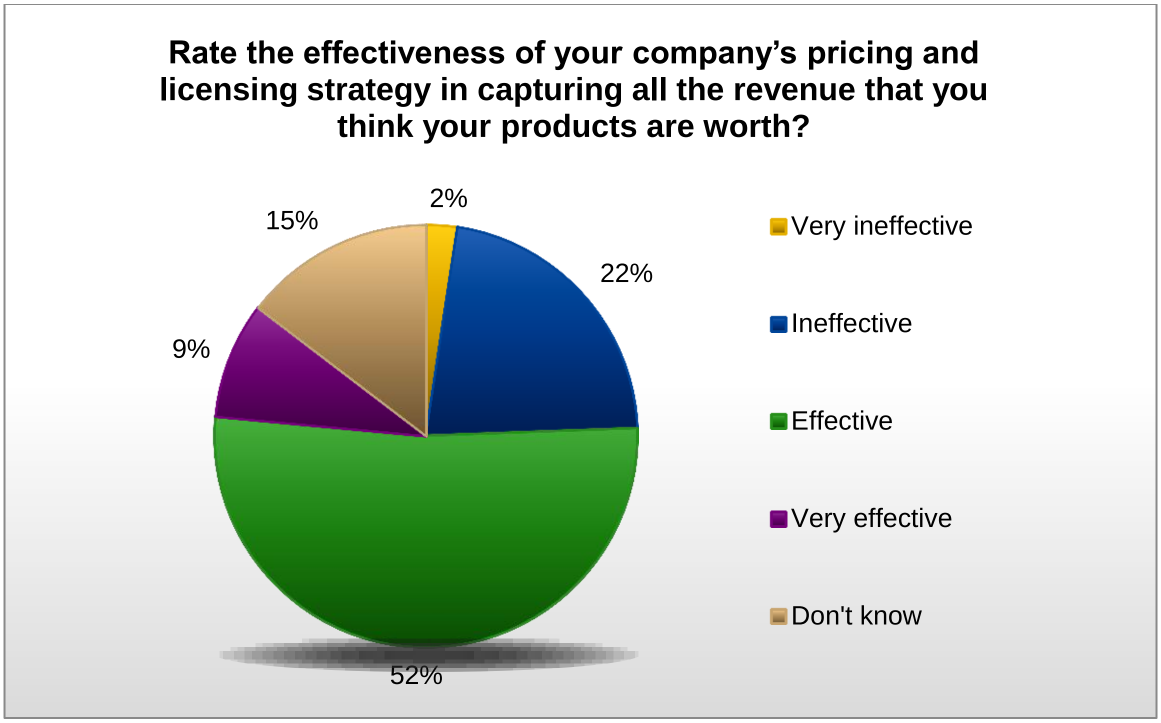
Enterprises' Prefer Network Licensing for Enforcement

Similar to last year, network licensing continues to be enterprises' most preferred method (45%) of software license enforcement, followed by product activation (24%). Their least favorite methods are dongles (61%) and trust-based licensing with manual vendor compliance audit (15%).



Considerable Application Producer Dissatisfaction Found with Software Pricing & Licensing Strategy

While a small majority of application producers (52%) believe their licensing and pricing strategies to be effective, only 9% believe theirs to be very effective. Nearly one quarter (24%) believe their licensing and pricing strategies are either ineffective or very ineffective. This suggests tremendous opportunities for application producers to more closely align their licensing and pricing strategies to the value they believe they are delivering to customers.



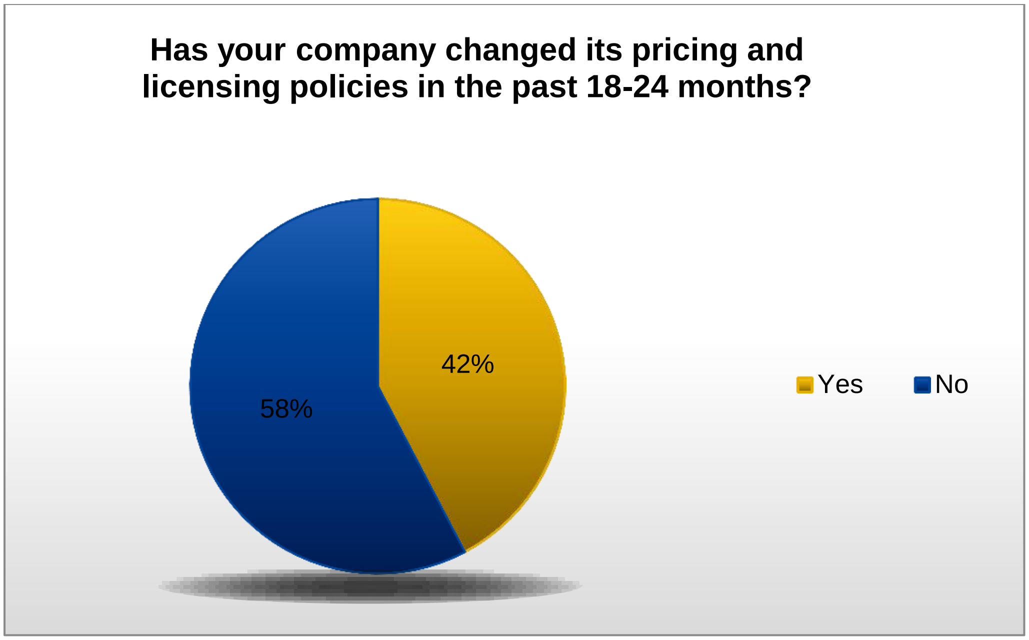
Enterprises Evaluate Price-to-Value Software Satisfaction

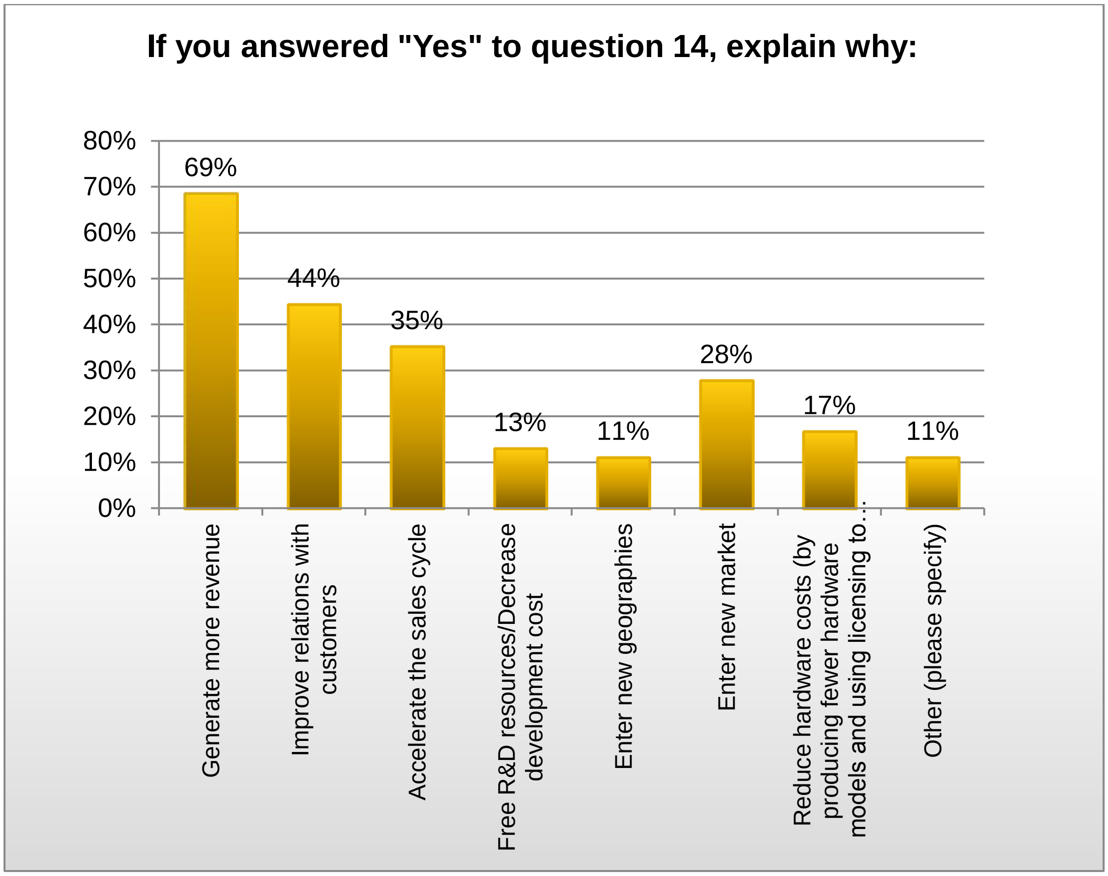
Enterprises most frequently indicated they are either satisfied or highly satisfied with the price-to-value of their desktop applications (65%), server applications (51%) and engineering/technical applications (43%). They indicated most frequently they were either unsatisfied or very unsatisfied with the price-to-value of their ERP software (25%), database software (22%) and CRM software (20%).

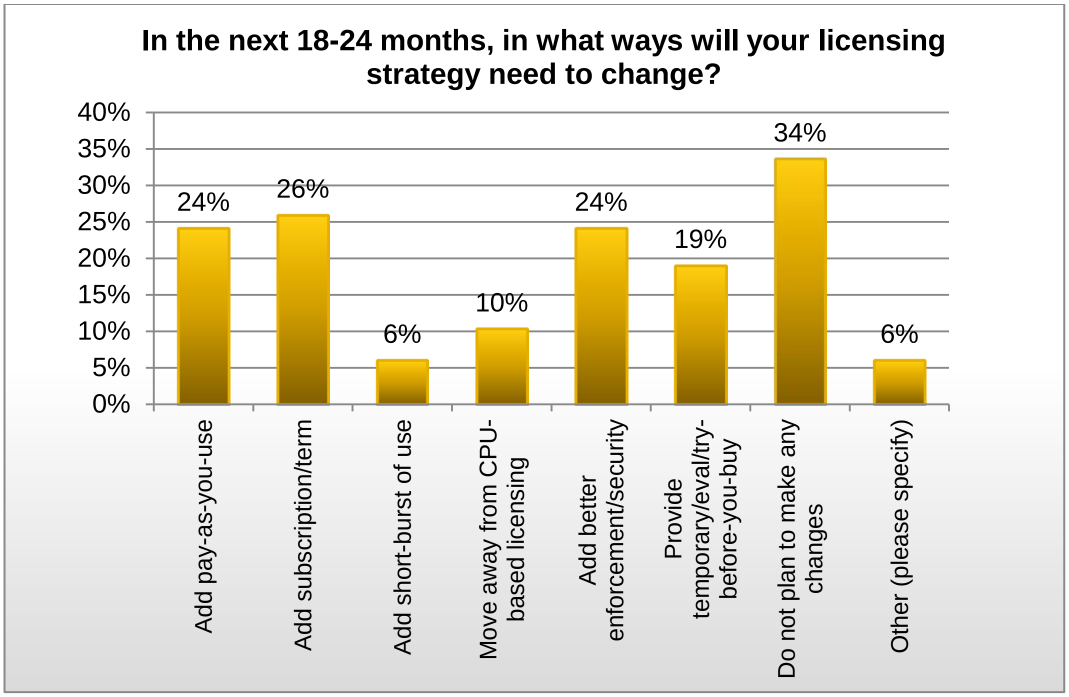
Pricing & Licensing Strategies in Flux

42% of application producers report that over the past 18-24 months, their software pricing and licensing strategies have changed. The most cited reason for the change was to generate more revenues (69%), an increase of 28% over 2011, perhaps indicating the challenges faced by producers in this down economy. Other reasons cited for the changes were to improve customer relations (44%), to accelerate sales cycles (35%) and to enter new markets (28%). Larger producers were more likely to have changed their pricing and licensing policies in the last 18-24 months. Only 30% of the very small producers (less than $5M in revenue) had done so, while nearly 60% of the larger producers did so.

Change remains the norm for the immediate future. When asked how licensing and pricing strategies would change over the next 18-24 months, application producers said they would add subscription/term licensing (26%), better enforcement or security (24%), pay-as-you-use (24%) and temporary/evaluation/ “try-before-you-buy” licensing (19%).


Has your company changed its pricing and licensing policies in the past 18-24 months?
42%
58%
Yes
No

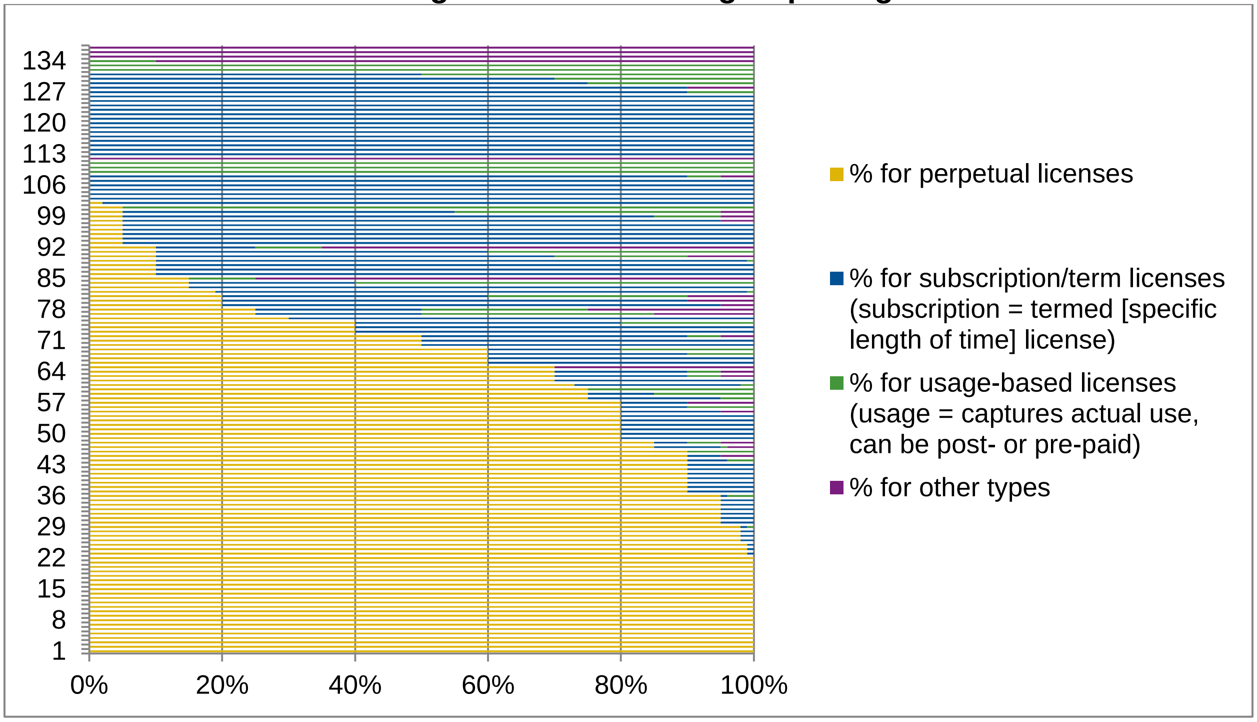

If you answered "Yes" to question 14, explain why:
80%
70%
60%
50%
40%
30%
20%
10%
0%
69%
44%
35%
13%
11%
28%
17%
11%
Generate more revenue
Improve relations with customers
Accelerate the sales cycle
Free R&D resources/Decrease development cost
Enter new geographies
Enter new market
Reduce hardware costs (by producing fewer hardware models and using licensing to…
Other (please specify)



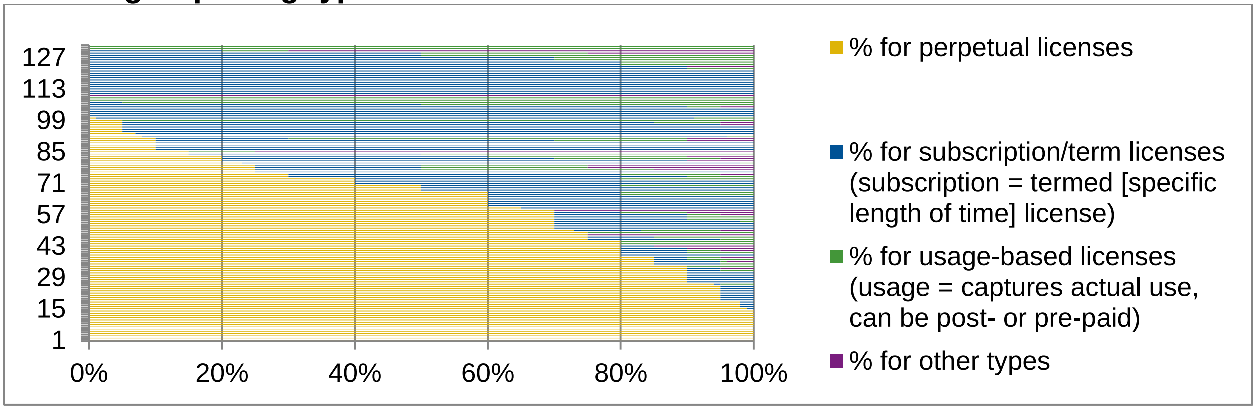
Producers Shifting Away From Perpetual Licenses

Application producers report that the majority of their revenues still derive from perpetual licenses. But subscription/term-based licenses and usage-based licenses also represent a significant portion of revenue, and these are predicted to increase over the next 18-24 months. Accordingly, having the ability to implement flexible licensing models will help application producers maximize their revenues while maintaining operational efficiency.

Based on your total annual software license revenue, what percentage is associated with the following software licensing or pricing?



Looking forward in the next 18-24 months, what percentage of your total annual software license revenue will be associated with the following software licensing or pricing types?

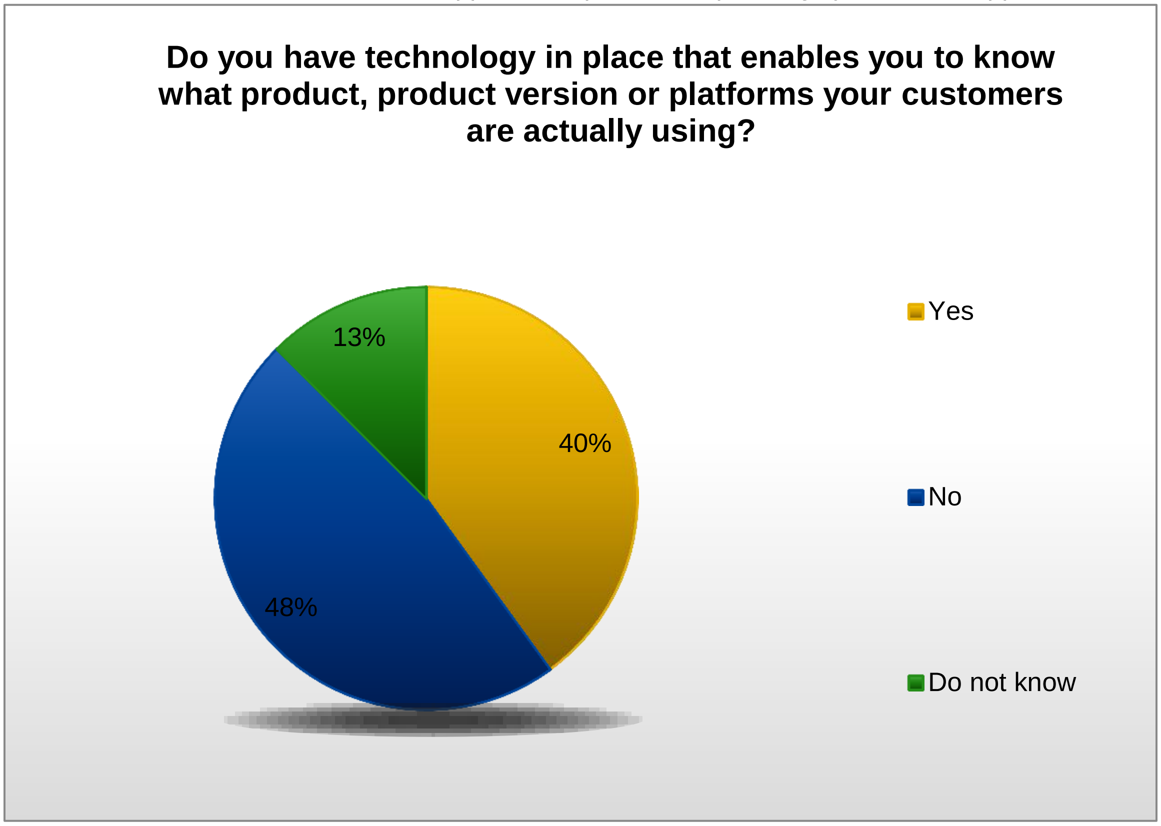


Software Usage Tracking, Optimization & Compliance

Application Producers Don't Know What Products Their Customers Are Actually Using

48% of application producers (up from 40% one year ago) indicated that they do not have technology in place to know what product version or platform their customers are actually using – and 13% do not know. Small producers (those with less than $5M in revenue) are less likely to have technology in place to enable them to know what product, product version or platforms that their customers are actually using.

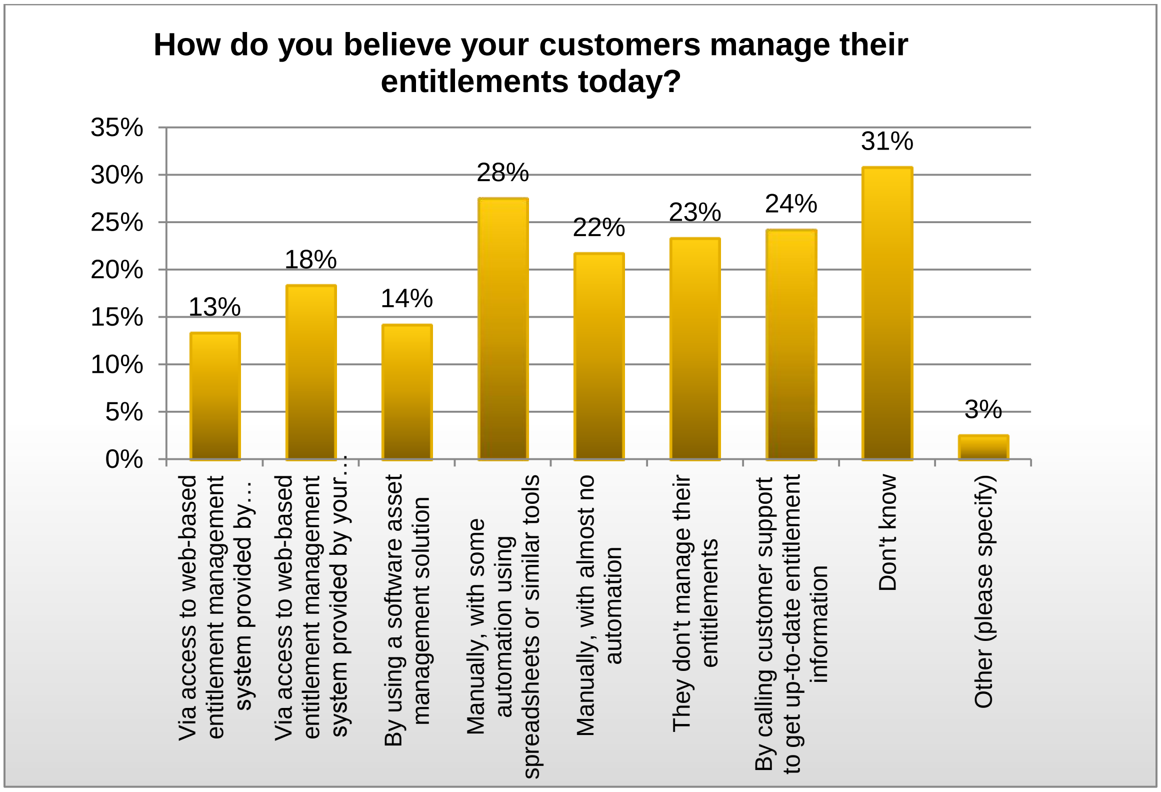
Of the 40% who say they do – at least 20% base this knowledge on entitlement or purchase information, and not on actual data from the product reporting that it has been installed and is being used. This is problematic because entitlement and purchase data alone cannot reveal whether those products are actually in use – thus reliance on this information can be misleading. By having technology in place that indicates what products are actually in use, application producers can gain valuable market data such as – who is adopting the latest release, how many users are impacted by end of life decisions, and when can support for a particular operating system be dropped.

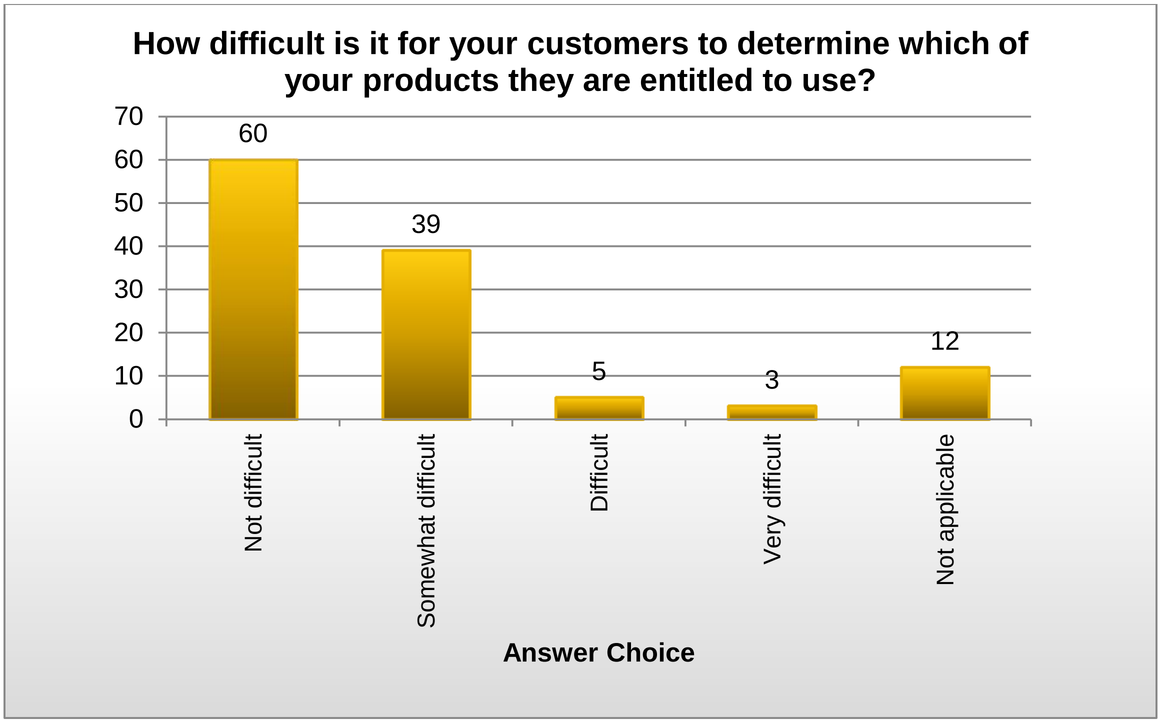


Most Producers Don't Believe Enterprises Manage Entitlements

Almost a quarter of application producers (23%) believe their customers do not manage entitlements at all, and almost half (49%) believe that customers do manage entitlements – but do so manually with no or only some automation. In actuality, as discussed below – only 29% of enterprises actually manage their entitlements manually.

Despite the fact that the majority of application producers believe that their customers manage entitlements manually (50%), only 7% of the producers believe that it's difficult or very difficult for their customers. This disparity could be attributed to the relatively smaller size of the producers taking this survey – smaller software vendors offer relatively few products and versions, and straightforward licensing models that do not changed often. Or the disparity could be attributed to a lack of awareness of the challenges enterprises face managing their software licenses.

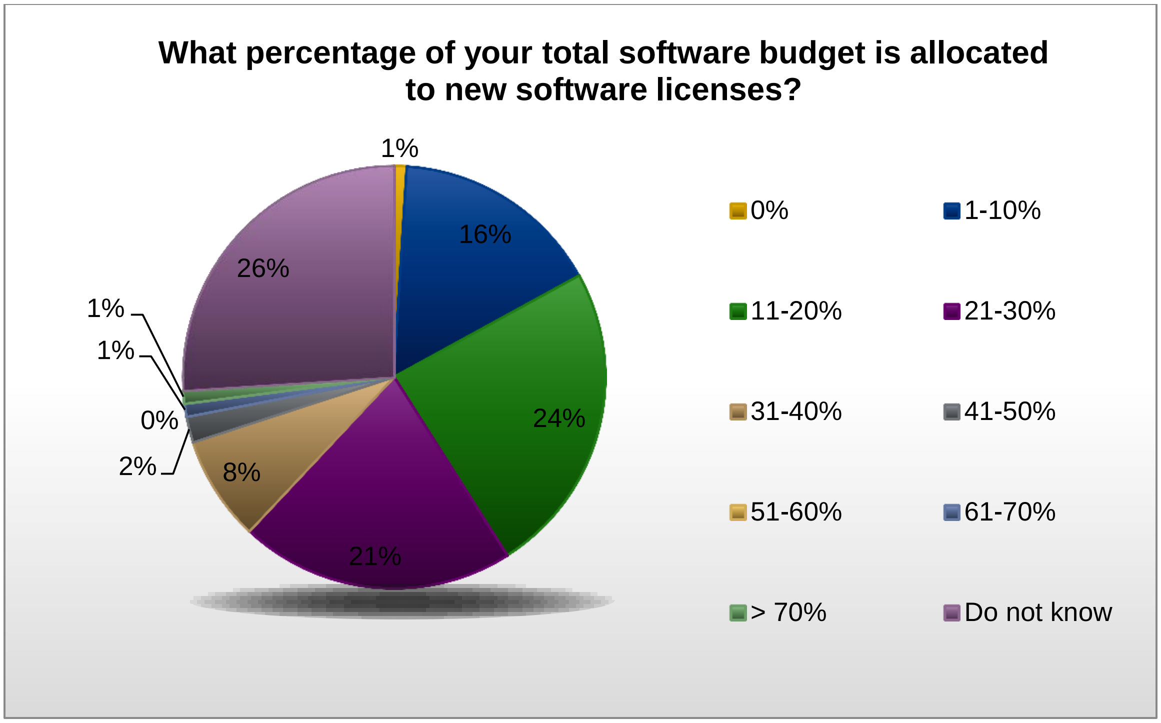


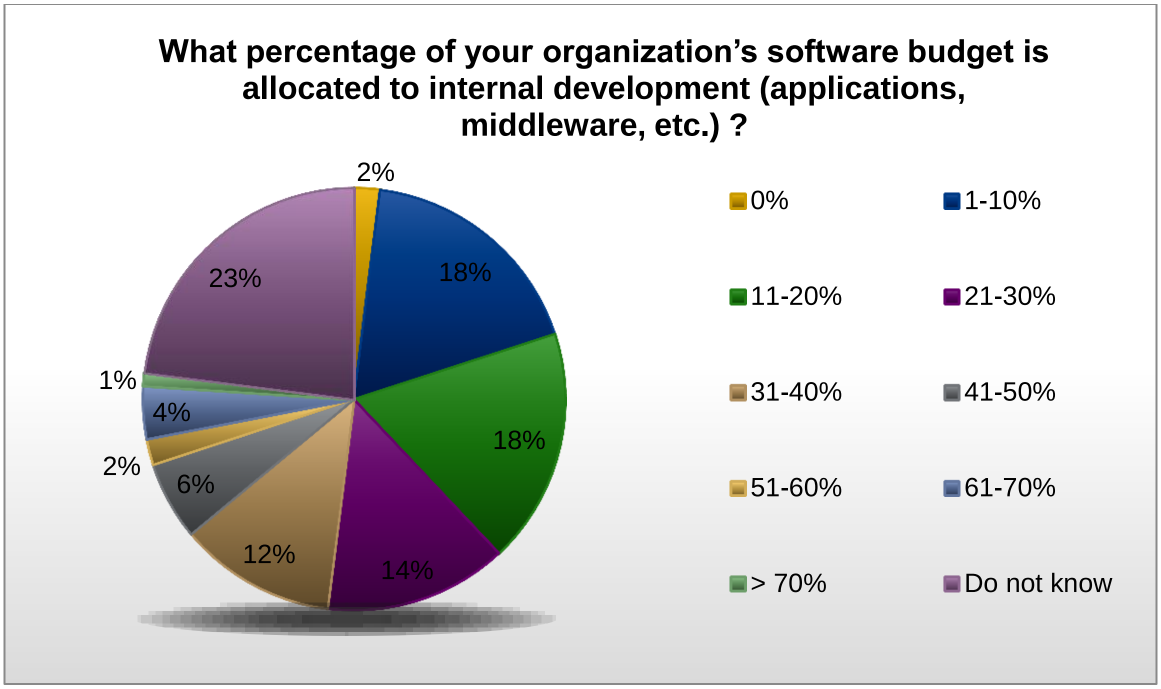


Enterprises' Software Investments Are Growing

Issues of software license management and usage tracking will only get more acute over time, as software spend increases. 44% of enterprises surveyed indicated that their budgets for software would increase over the course of the next 18-24 months, a slight increase in the software budget growth predictions in 2011 (43%) and 2010 (33%). 24% of enterprises report that between 11-20% of their software budgets are allocated to new software licenses, and 21% of respondents say that 21-30% of their software budgets go to new licenses. 12% say that more than 30% of their total software budget is allocated to new software licenses.

Internal software development also accounts for a proportion of most enterprises' software budgets. 18% of organizations responding to the survey allocate 1-10% of their budgets to internal development; 18% allocate 11-20% of their budgets to software development, and 14% of companies allocate 21-30% of their budgets to it. 25% of enterprise respondents say that more than 30% of their software budget is allocated to internal development.

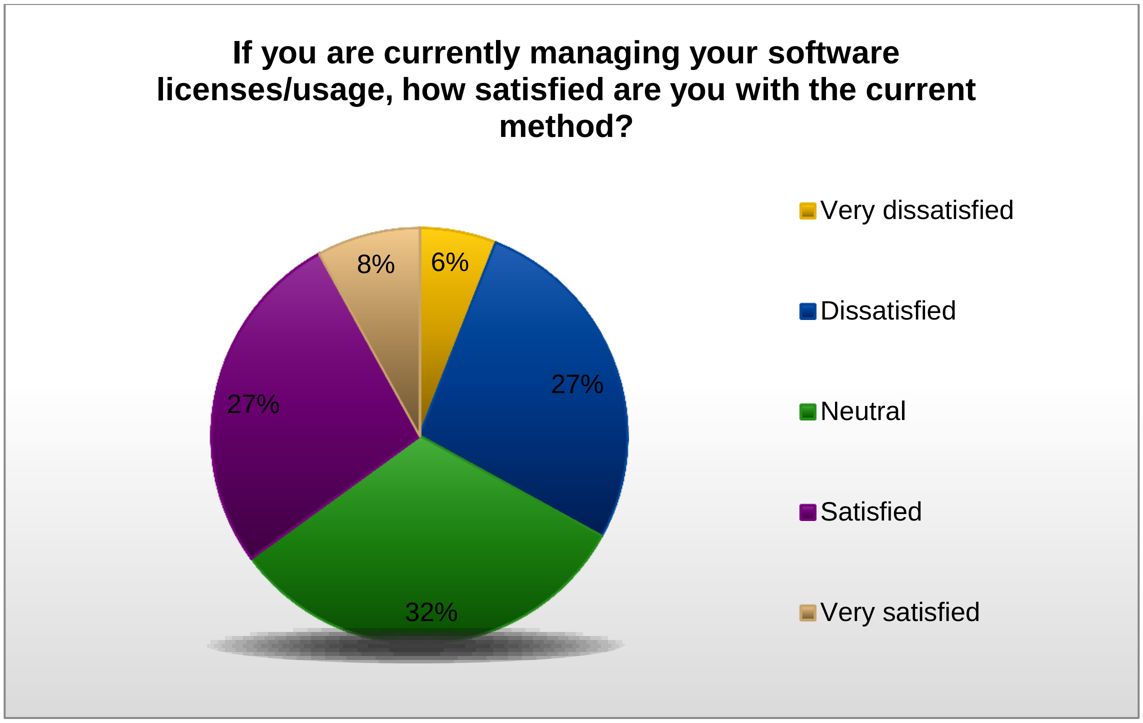

What percentage of your total software budget is allocated to new software licenses?
1%
16%
26%
1%
1%
0%
2%
8%
24%
21%
0%
1-10%
11-20%
21-30%
31-40%
41-50%
51-60%
61-70%
> 70%
Do not know

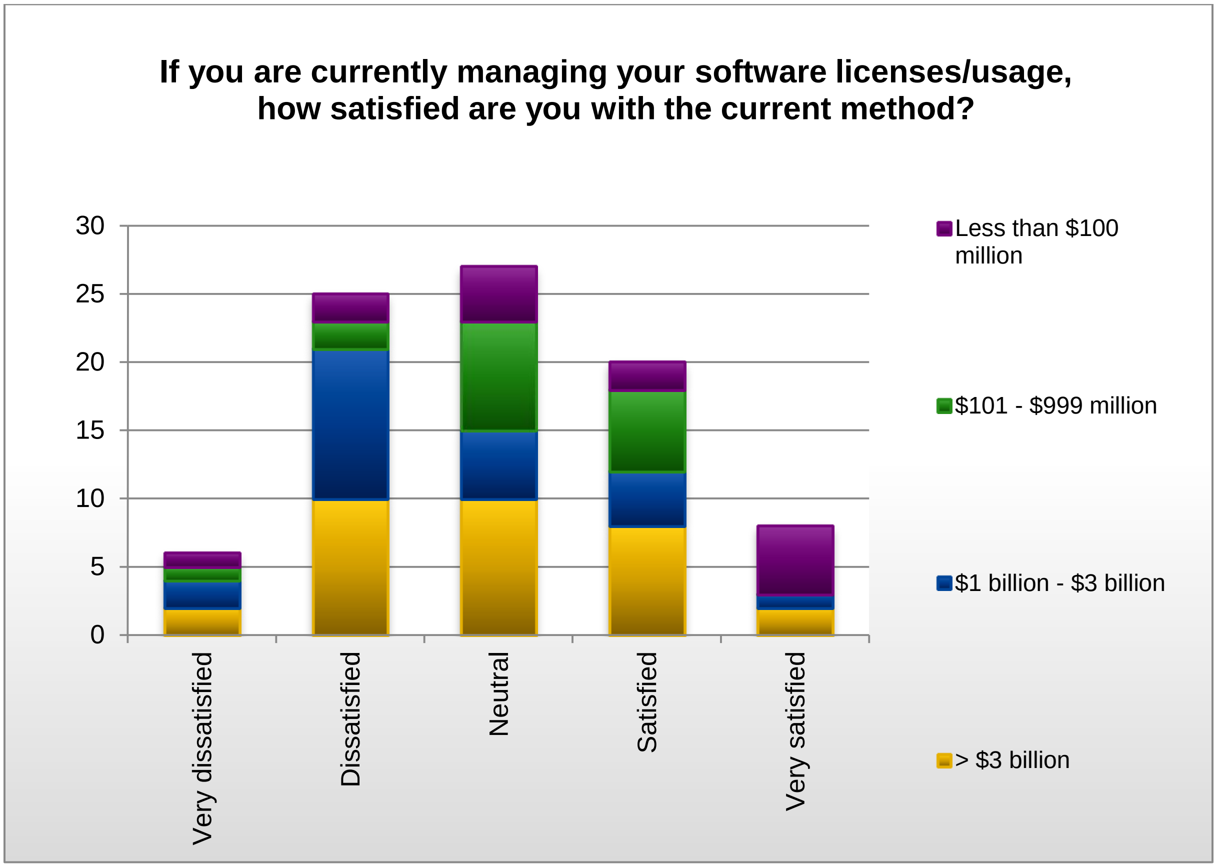


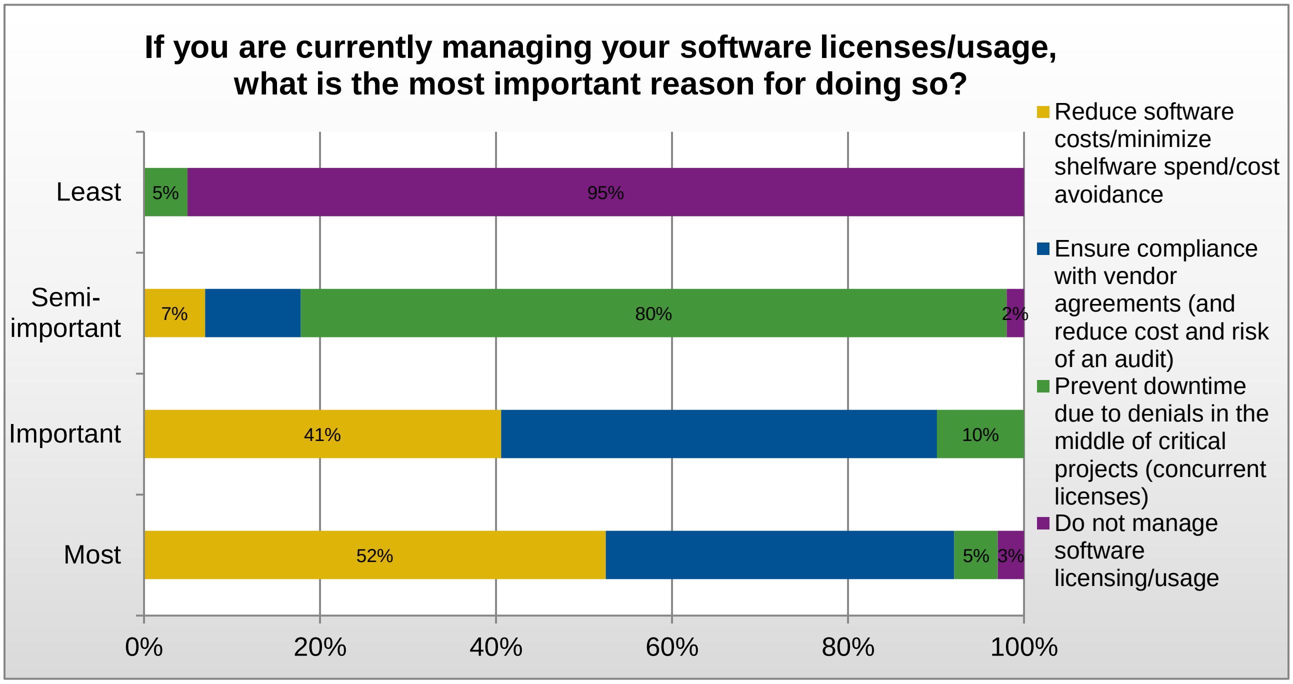
Software License Management Is Critical to Enterprises

Compared to other objectives, 82% of enterprise respondents (up from 72% a year ago) indicated that managing software licenses and usage is either important or very important. Only 8% indicated that it is unimportant. For those managing their software licenses, 52% said their reason for doing so was to reduce software costs and minimize shelfware. The second most frequently cited reason was to ensure compliance with vendor agreements (and reduce cost and risk of an audit) (40%).

33% of enterprises indicated they are either dissatisfied or very dissatisfied with their current method for managing software licenses and usage, while 32% are neutral. Only 35% report being satisfied or very satisfied with their current method – which suggests significant opportunity for providers of software license management and optimization solutions. A cross tabulation of the data based on respondents' organization size indicates that enterprises larger than $1B in revenue are much more likely (over twice) to be dissatisfied with their current method of managing software licenses/usage, than companies with less than $1B in revenue. Almost half (45%) of all of these companies are either dissatisfied or very dissatisfied with their current methods.


If you are currently managing your software licenses/usage, how satisfied are you with the current method?
6%
27%
32%
27%
8%
Very dissatisfied
Dissatisfied
Neutral
Satisfied
Very satisfied

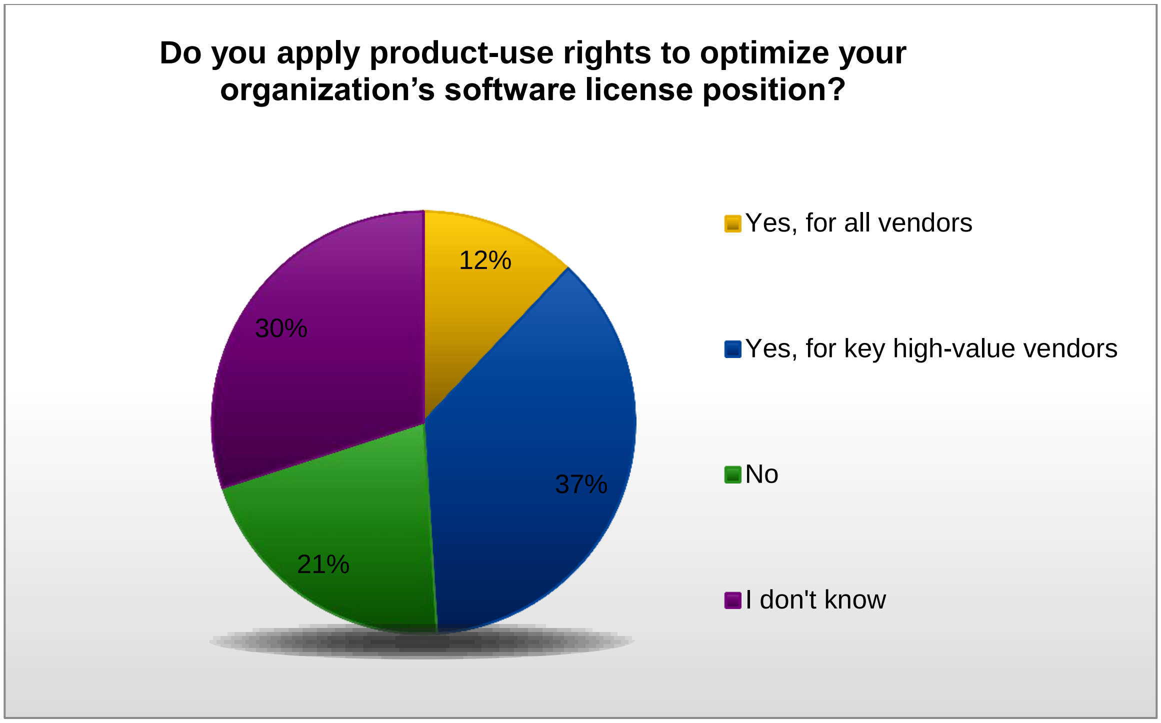

If you are currently managing your software licenses/usage, how satisfied are you with the current method?
30
25
20
15
10
5
0
Very dissatisfied
Dissatisfied
Neutral
Satisfied
Very satisfied
Less than $100 million
$101 - $999 million
$1 billion - $3 billion
> $3 billion



Many Enterprises Are Not Optimizing Their Software Licenses

Simply understanding the number of licenses within the license estate tells only a partial story when it comes to software license optimization. Product use rights (i.e. upgrade rights, downgrade rights, secondary use rights, etc.) contained in the software contract detail how software licenses can be used, by whom, in what circumstances and on what devices. Only by optimizing the software license estate – reconciling product use rights with actual usage – can enterprises hope to buy only what they need and use what they have. Accordingly, whether enterprises take into account product use rights in the management of their licenses is an indicator of their ability to remain in compliance and avoid purchasing shelfware.

According to the survey, 30% of respondents familiar with their companies' practices in this regard do not optimize their software estates by reconciling software usage data with product use rights. 53% do, but only for key, high value vendors. Only 17% practice software license optimization across the entire software estate.

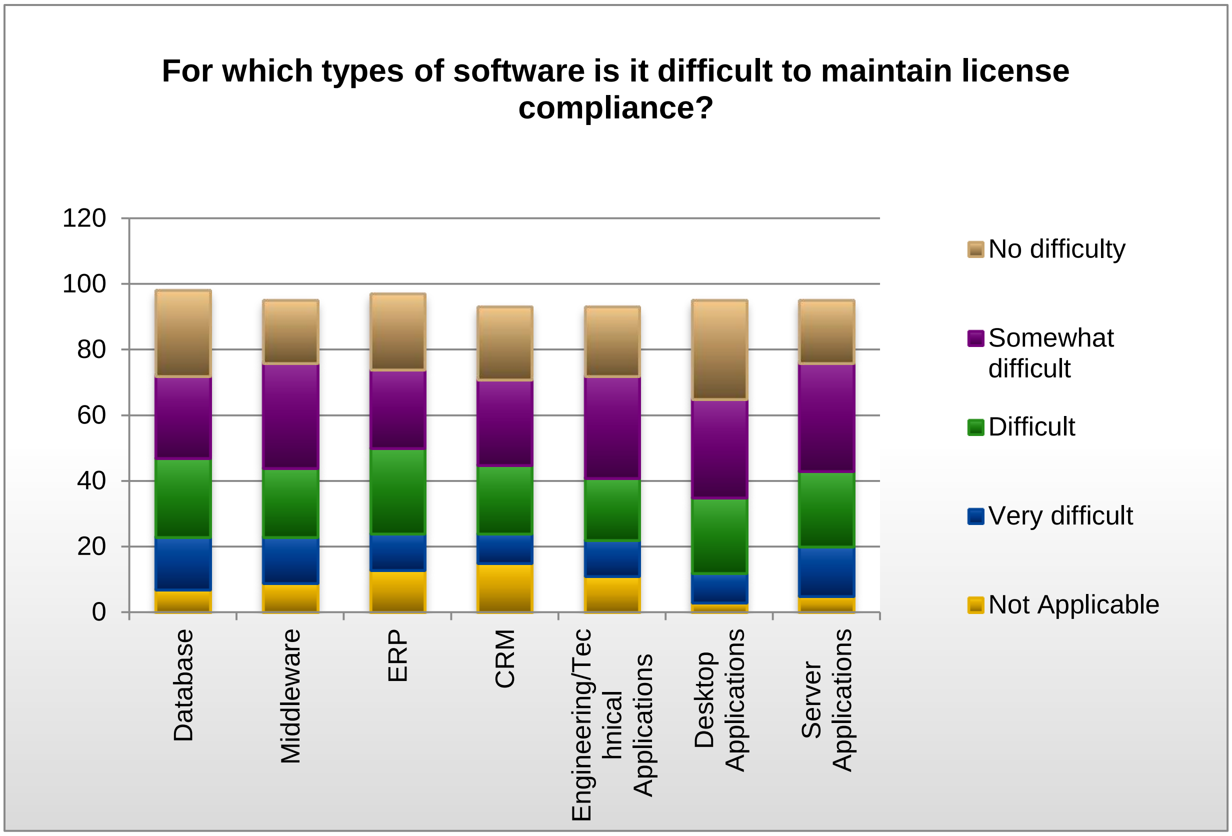

Do you apply product-use rights to optimize your organization's software license position?
12%
37%
21%
30%
Yes, for all vendors
Yes, for key high-value vendors
No
I don't know

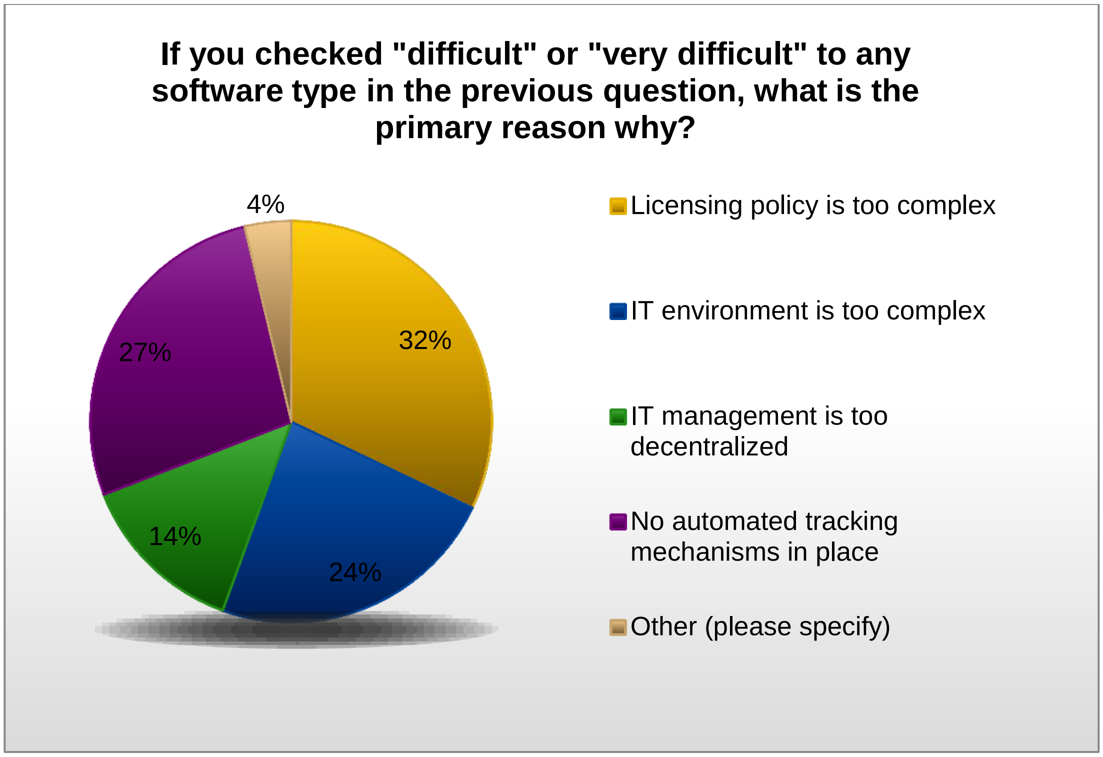
Maintaining License Compliance Is Challenging for Enterprises

41% of respondents indicated that maintaining license compliance for database software, and 40% of respondents said maintaining license compliance for server software – was either difficult or very difficult. Only a minority of respondents answered “no difficulty” when asked to rate the difficulty of maintaining licensing compliance for the various types of applications they run. This indicates general consensus among enterprises that maintaining license compliance presents difficulty.

Licensing complexity is the most frequently cited reason (32%) enterprises give for their difficulties in maintaining licensing compliance. Lack of automated tracking mechanisms (27%) and the complexity of their IT environments (24%) also contributed to the reasons for their difficulty.

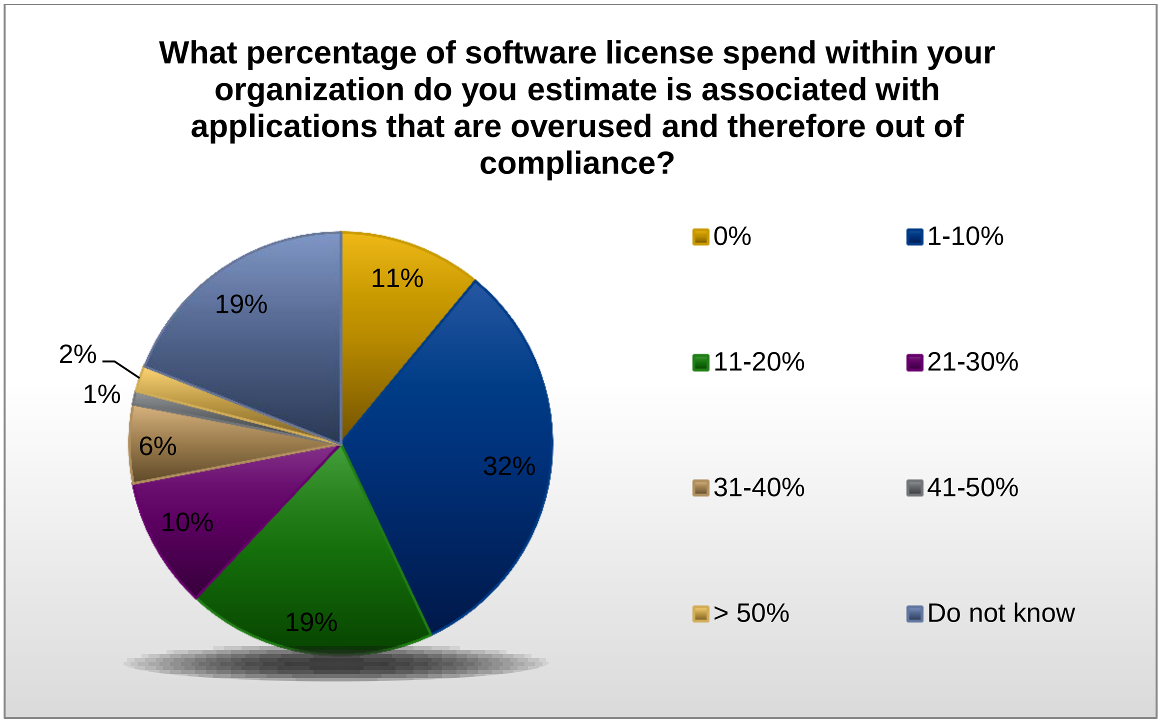
The smaller companies, those less than $100M, were much more likely to highlight the complexity of the licensing or IT environment, doing so 80% of the time. Very large companies, in contrast – those greater than $3B in revenue – highlighted the lack of automation tools most frequently (44% of the time). The greater focus of large enterprises on lack of automation may be due to their expectation of high complexity and their focus instead on the need for a technical solution to the challenge.

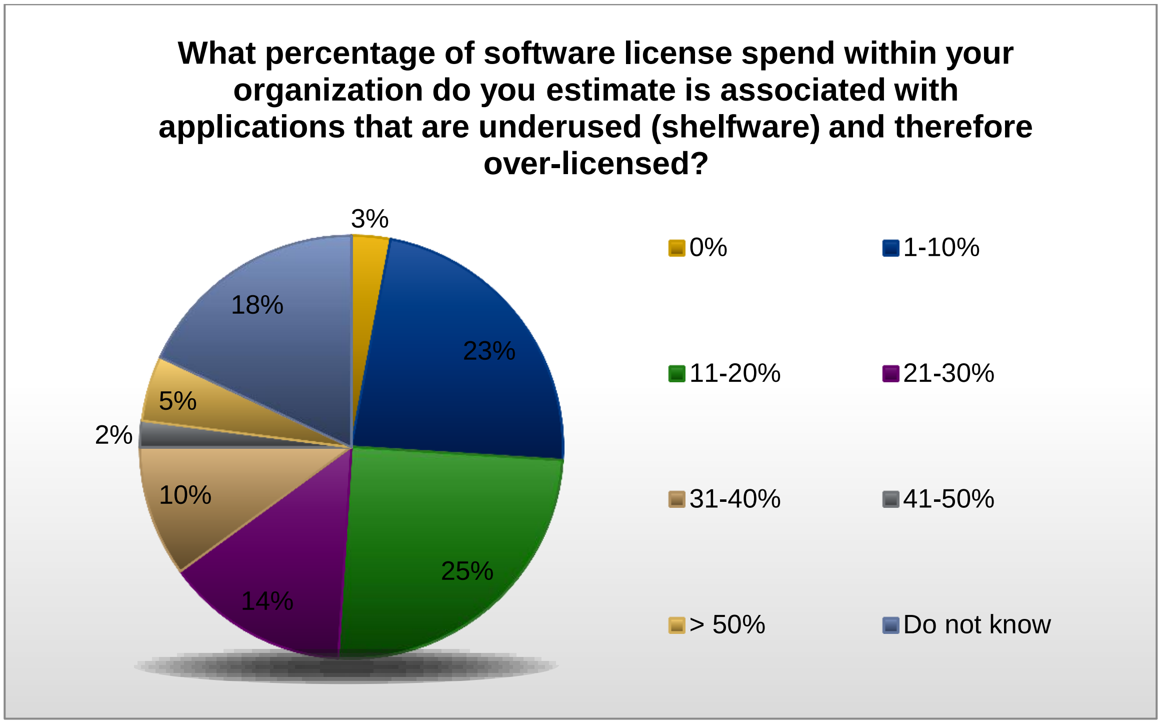




Licensing Complexity Challenges Translate to Shelfware and Non-Compliant Software Use

38% of enterprises indicated that 11% or more of their application spend is associated with applications that are overused, and therefore out of compliance, up from 26% one year ago.   Likewise, this year 56% of enterprises say that 11% or more of their application spend is associated with applications that are under-used (shelfware), up from 49% last year. It is important to note that when looking across the entire software estate the same organization can, and usually does, simultaneously have shelfware *and* software use that is out-of-compliance. The increases in non-compliant software use as well as shelfware point to increasing waste and audit risk for companies that do not proactively manage and optimize their software license estates.

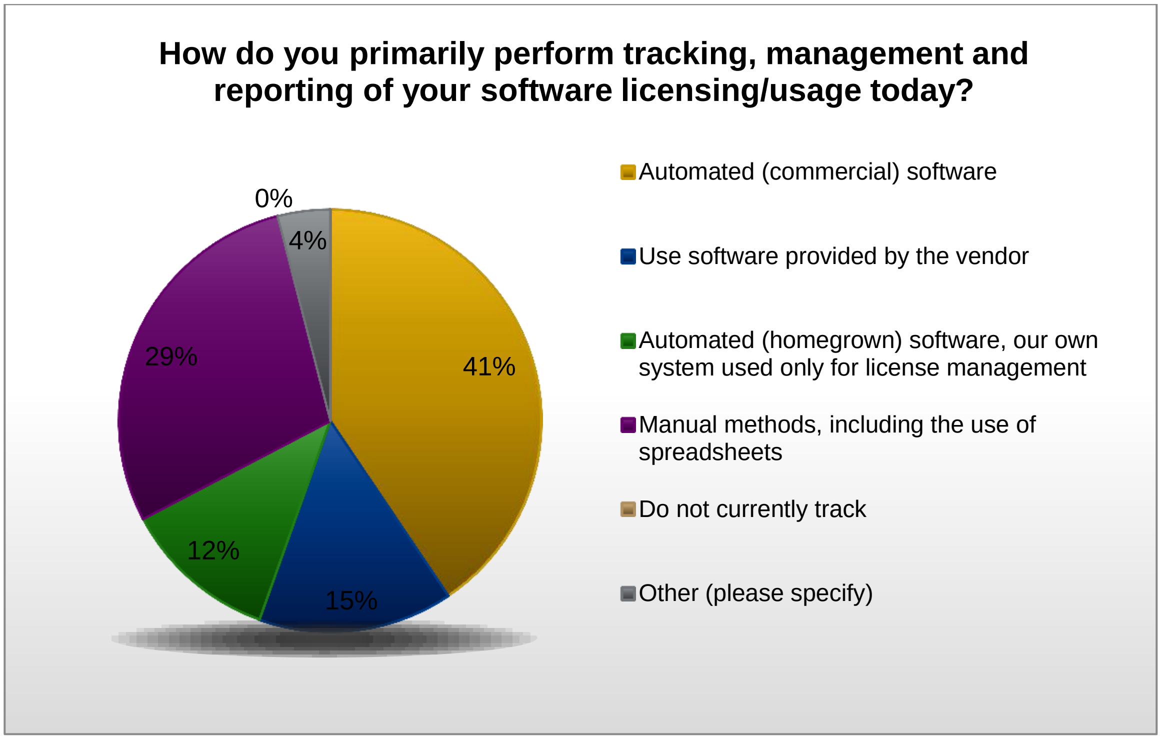

What percentage of software license spend within your organization do you estimate is associated with applications that are overused and therefore out of compliance?
11%
32%
19%
10%
6%
1%
2%
19%
0%
1-10%
11-20%
21-30%
31-40%
41-50%
> 50%
Do not know

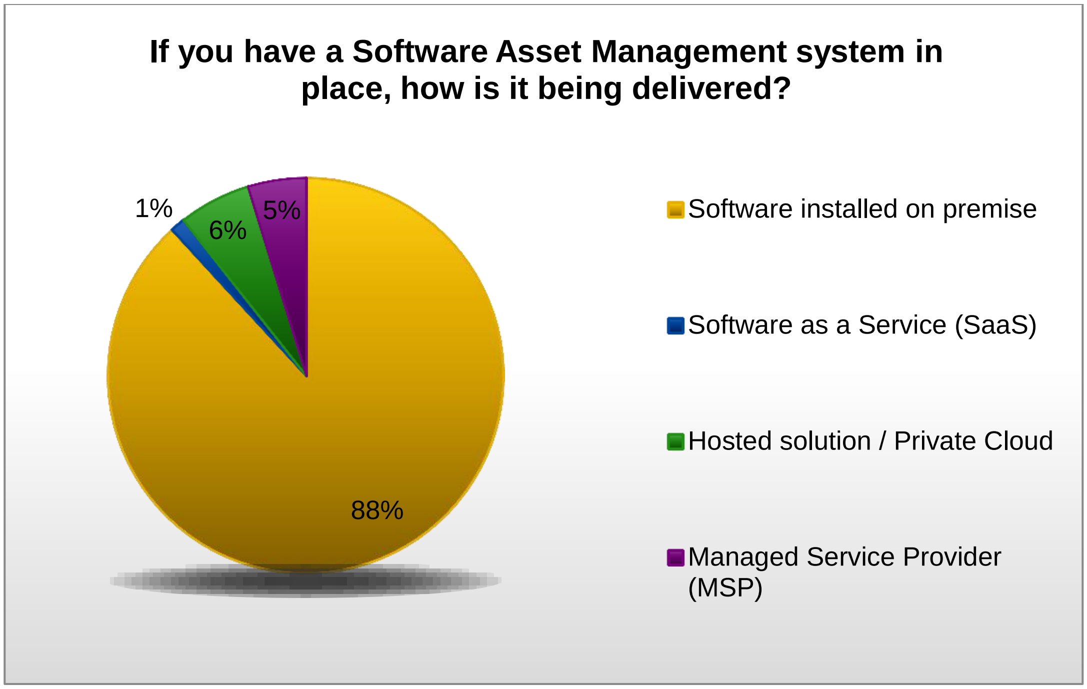

What percentage of software license spend within your organization do you estimate is associated with applications that are underused (shelfware) and therefore over-licensed?
3%
23%
25%
14%
10%
2%
5%
18%
0%
1-10%
11-20%
21-30%
31-40%
41-50%
> 50%
Do not know

Enterprises’ Turning to Automation to Manage Software Licensing

67% of enterprises in the survey indicate that they use some sort of automation to manage their software licensing and usage today, with 41% indicating they use automation software that’s part of their asset management system. 15% use vendor provided software, 29% use manual systems, and 12% use a homegrown system. None of the respondents said that they do not track their software licensing and usage).

For enterprises using software asset management software, 88% of those systems are installed on premises, 6% are hosted/cloud based solutions, 5% are delivered via a managed service provider, and only 1% are hosted via a SaaS provider.





Software Compliance Enforcement

Software Audits Gaining in Frequency, Especially for Large Software Vendors

39% of application producers responding to the survey who are aware of their company's audit practices indicated that their companies conducted at least one software audit over the last year. 13% said they audited customers more than 11 times. And 3% indicated that they conducted more than 100 software audits.

Total audit true ups that producers reportedly collected within the last year ranged between $1-$50,000 (6%) and $1M to $5M (2.4%). It should be noted that 35% of the respondents did not know their companies' total true-up revenues. Moreover, these audit figures clearly reflect the practices of smaller application producers, given the demographics of the respondents of the application producer survey. They do not reflect the audit practices of larger vendors such as Microsoft, IBM, SAP, Adobe, Oracle, Symantec and others.

For example, in the enterprise survey, which skews towards large enterprise customers, a different story emerges of application producers' audit practices. In that survey 64% of enterprises reported that they have been audited (or had a license review) over the last 18-24 months. 36% report having experienced at least two audits over that time period, and 10% report that they've been audited more than 3 times.

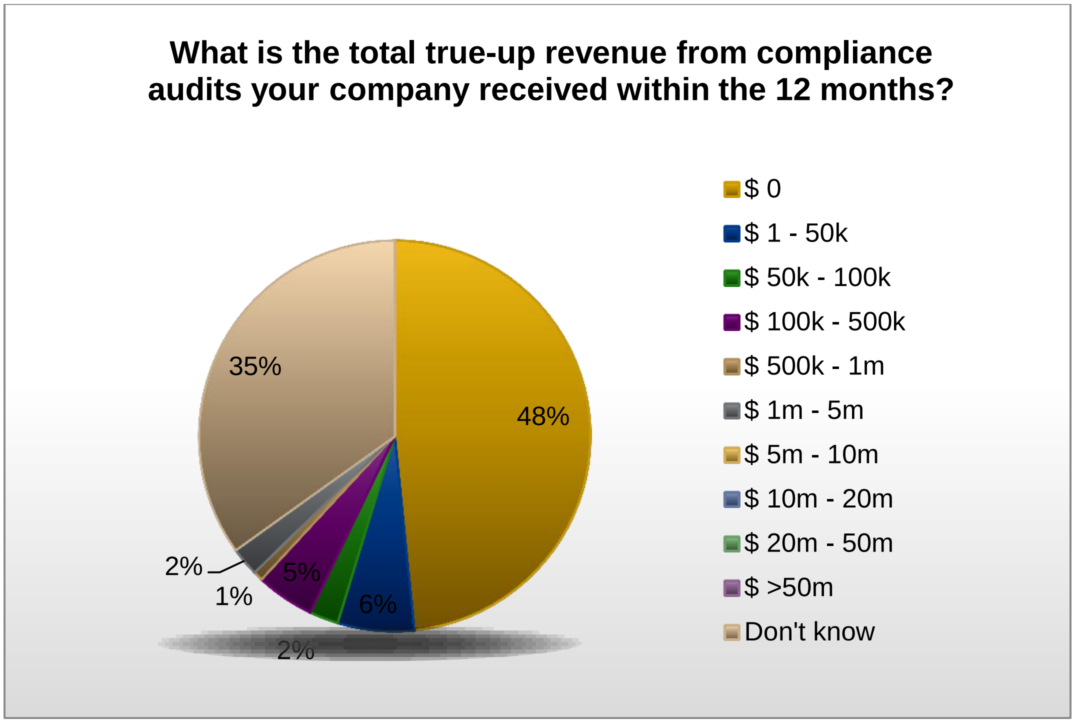
Large enterprises – those greater than $1B in revenue -- were significantly more likely to be audited three times or more times in the last 18-24. This was reported by 25% of the companies in that group.

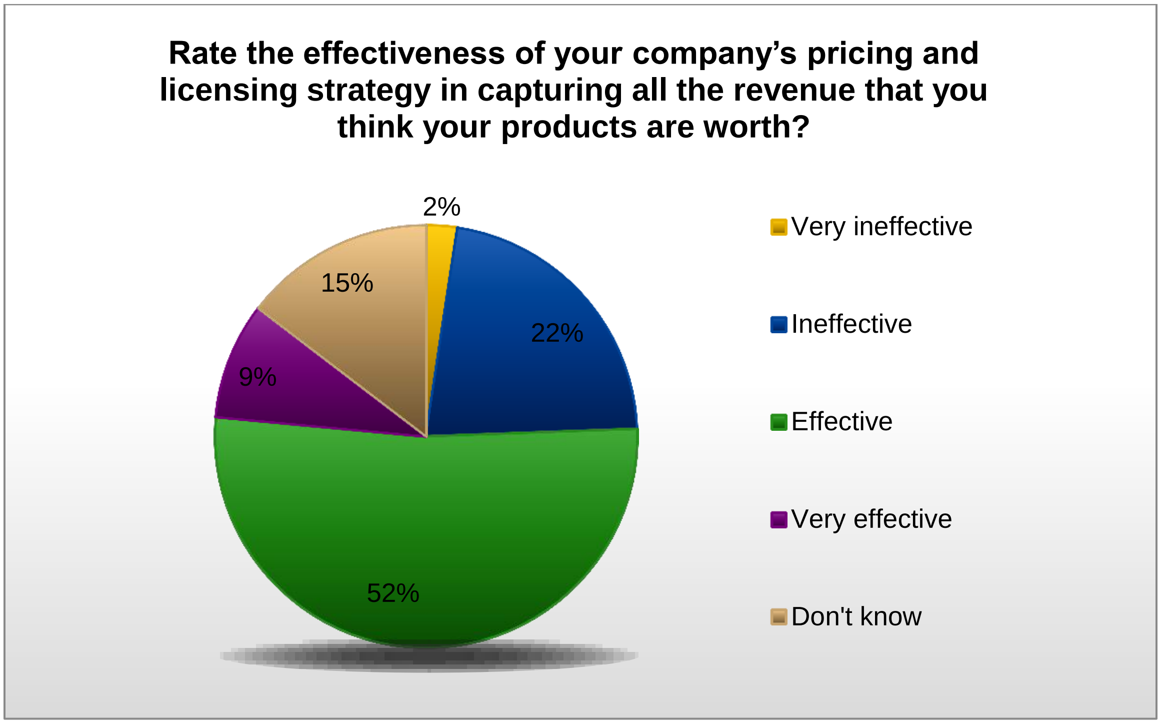
Enterprises say that over the last year, they've been audited most frequently by Microsoft (51%), followed by Oracle (27%), IBM (24%), SAP (22%) and Adobe (19%). 24% say they were audited by other vendors. Enterprises elaborating in the survey about who those other auditing vendors were most frequently sited Attachmate (5 respondents) and Autodesk (2 respondents).

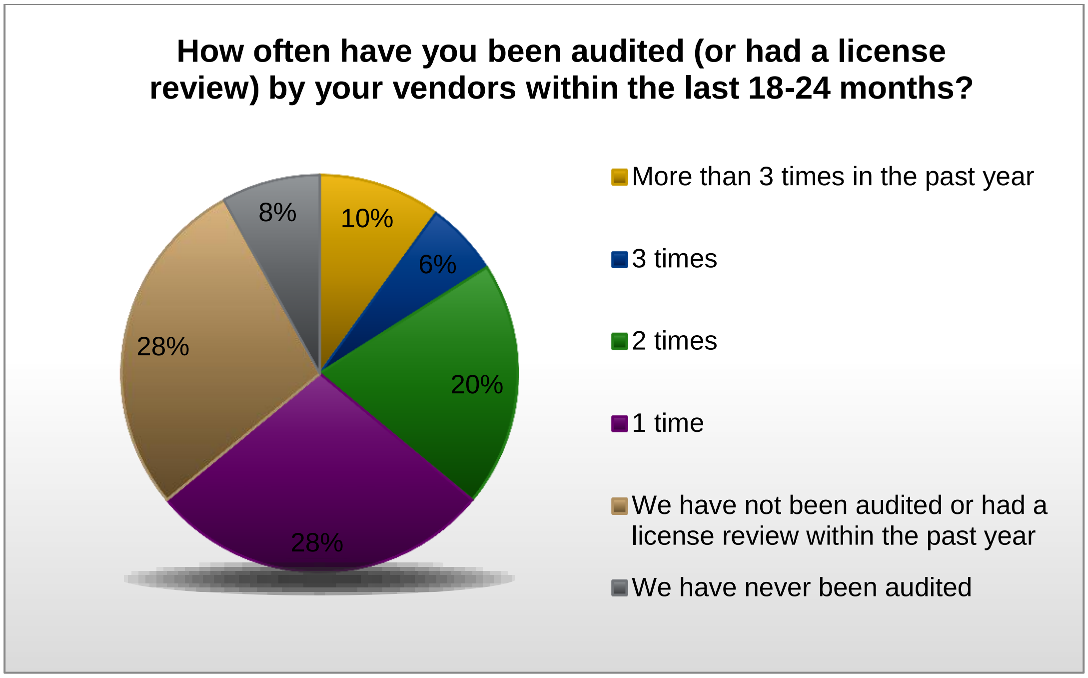
Microsoft was the leading auditor reported across all organization sizes. The other application producers favored performing audits of the large organizations (over $1B revenue), to a greater degree than Microsoft did.

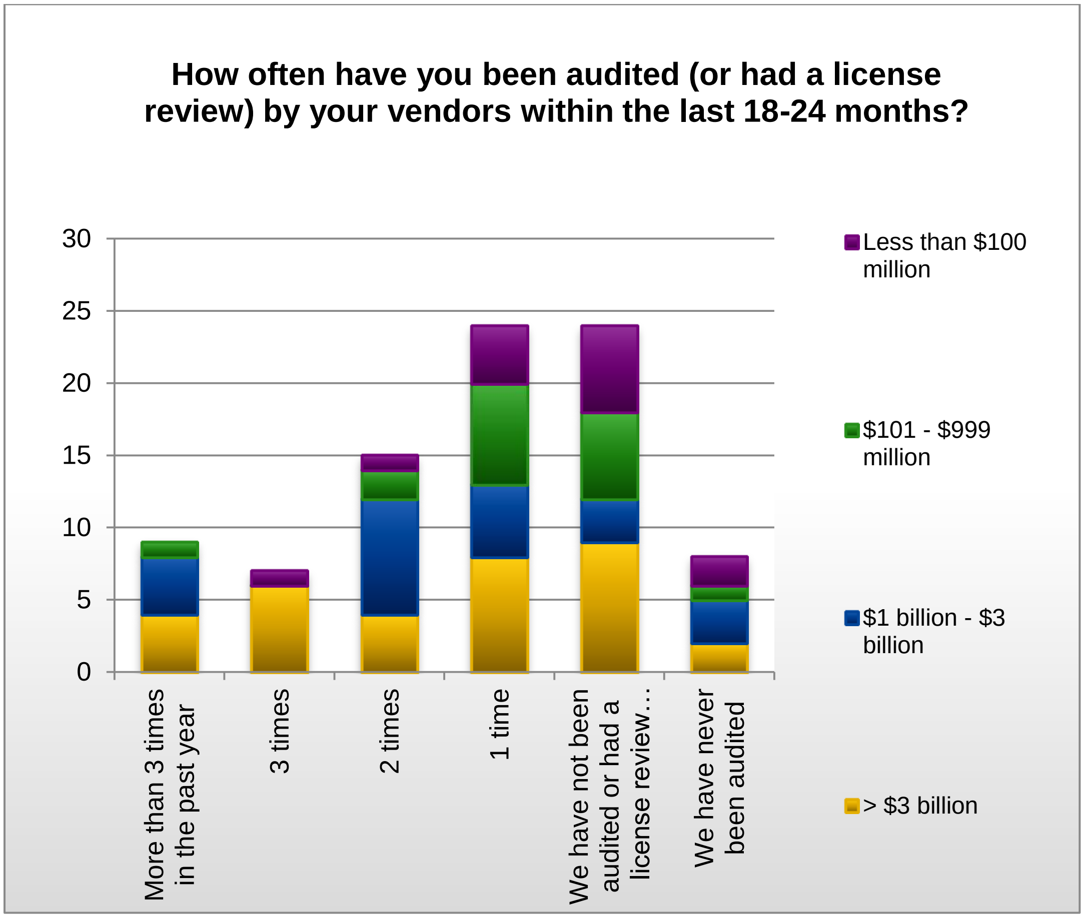
In addition, the size of the audit awards varies greatly between the application producers' claims, and enterprises' claims. Again, this disparity is likely due to the disparity between application producers taking this survey (mostly smaller vendors), and those reported by enterprises as being the most enthusiastic auditors. For example, more than half of respondents said their total audit true up over the last year was more than $100,000, and 36% said their total true up was $300,000 or more. 24% said their total true up was $1 million or more. 5% said theirs was between $5-10 million. And $4% said their total true up costs were more than $10 million.

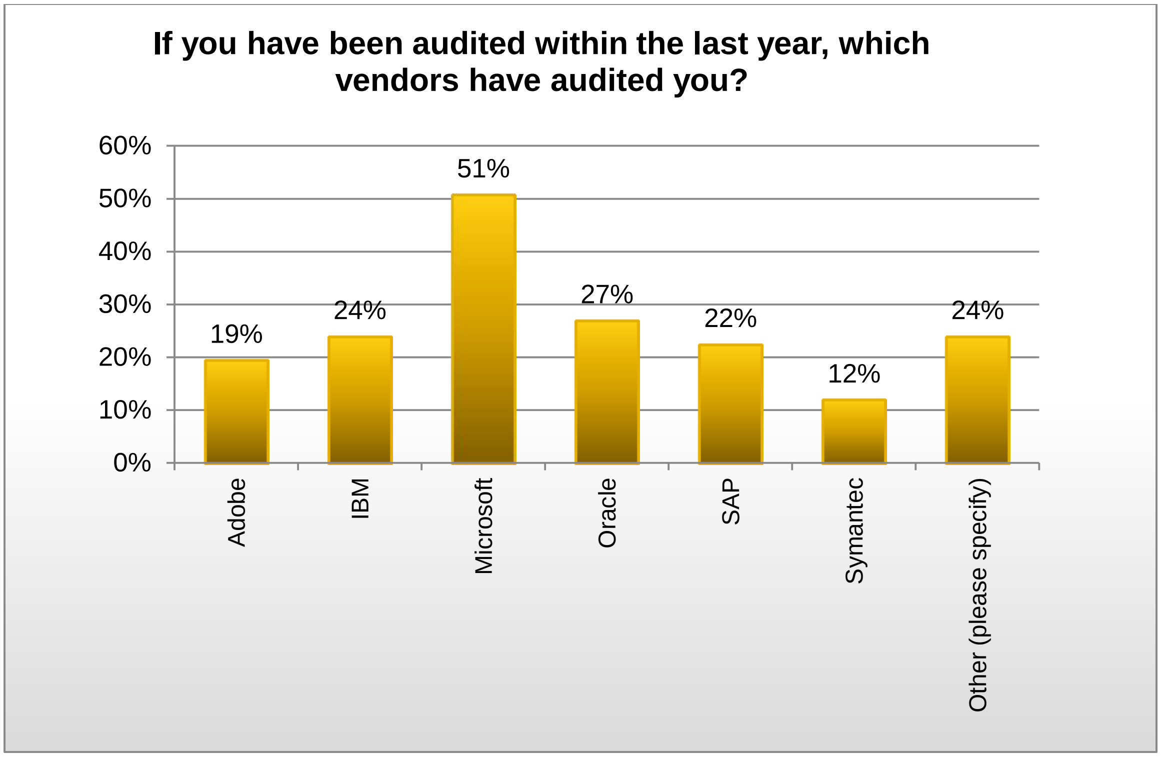
Given the significant frequency with which enterprises are facing software audits, it's not surprising that they are building safeguards into their internal processes. 42% indicated that they do self-audits at least once per year. 25% indicated they do self-audits more than three times per year. Large enterprises, those over $1B in revenue, were much more likely to have a regular self-audit process that occurred more than three times a year, with 30% reporting this to be the case (compared to only 10% of smaller organizations).

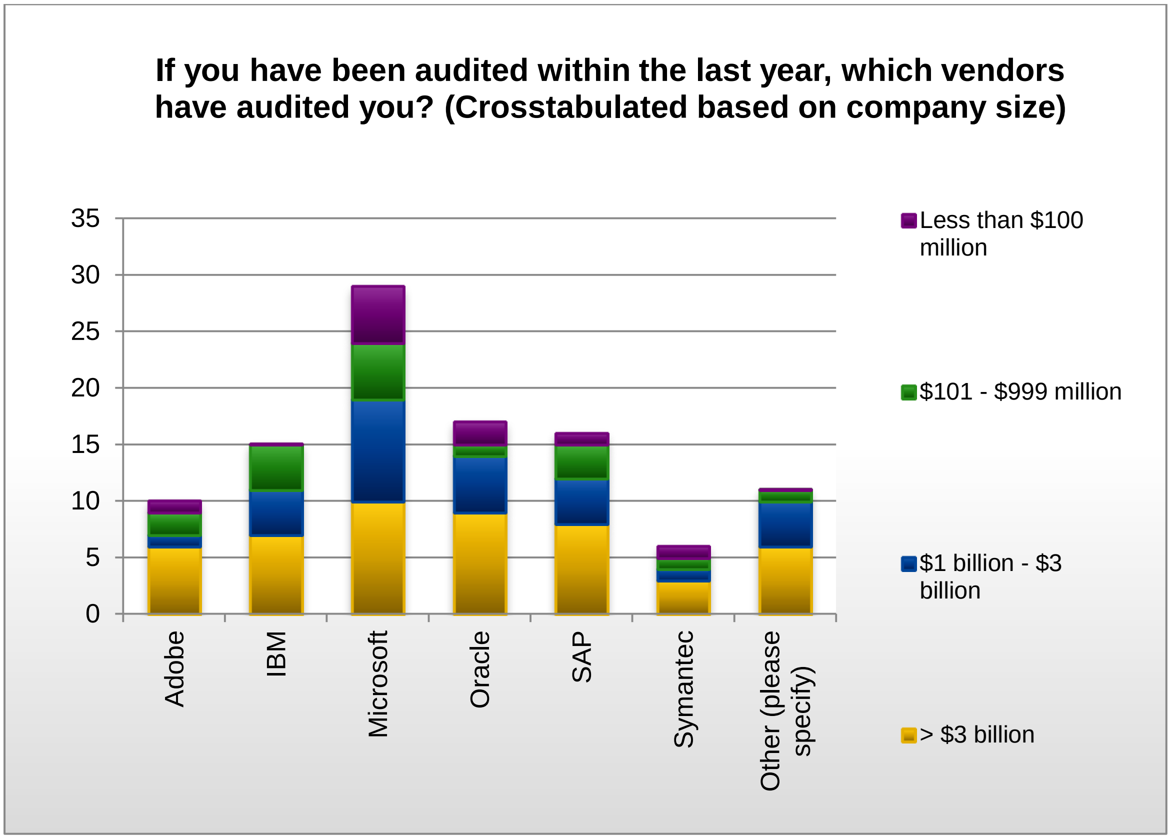

What is the total true-up revenue from compliance audits your company received within the 12 months?
48%
35%
6%
5%
2%
1%
2%
$ 0
$ 1 - 50k
$ 50k - 100k
$ 100k - 500k
$ 500k - 1m
$ 1m - 5m
$ 5m - 10m
$ 10m - 20m
$ 20m - 50m
$ >50m
Don't know

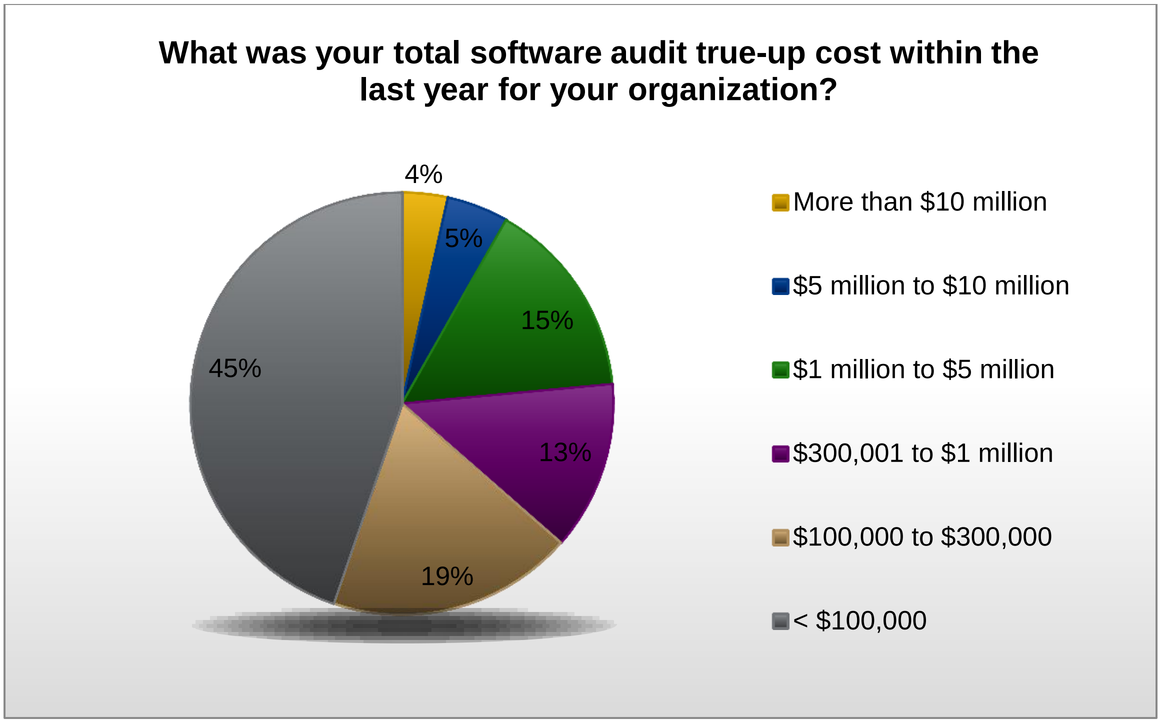

Rate the effectiveness of your company's pricing and licensing strategy in capturing all the revenue that you think your products are worth?
2%
22%
52%
9%
15%
Very ineffective
Ineffective
Effective
Very effective
Don't know

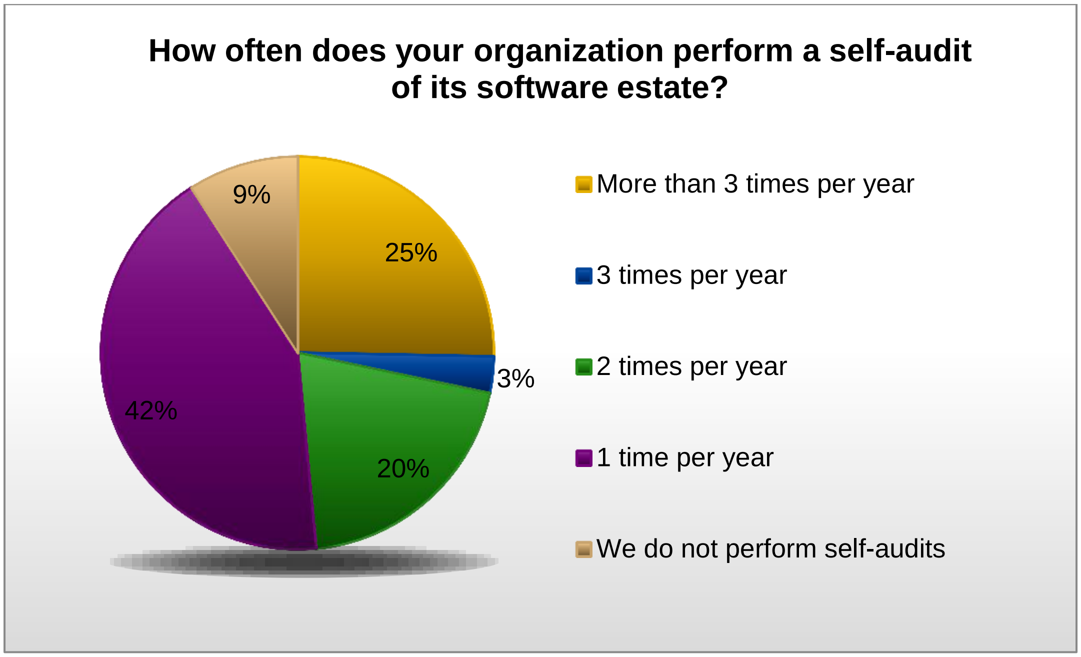

How often have you been audited (or had a license review) by your vendors within the last 18-24 months?
More than 3 times in the past year
3 times
2 times
1 time
We have not been audited or had a license review within the past year
We have never been audited
10%
6%
20%
28%
28%
8%

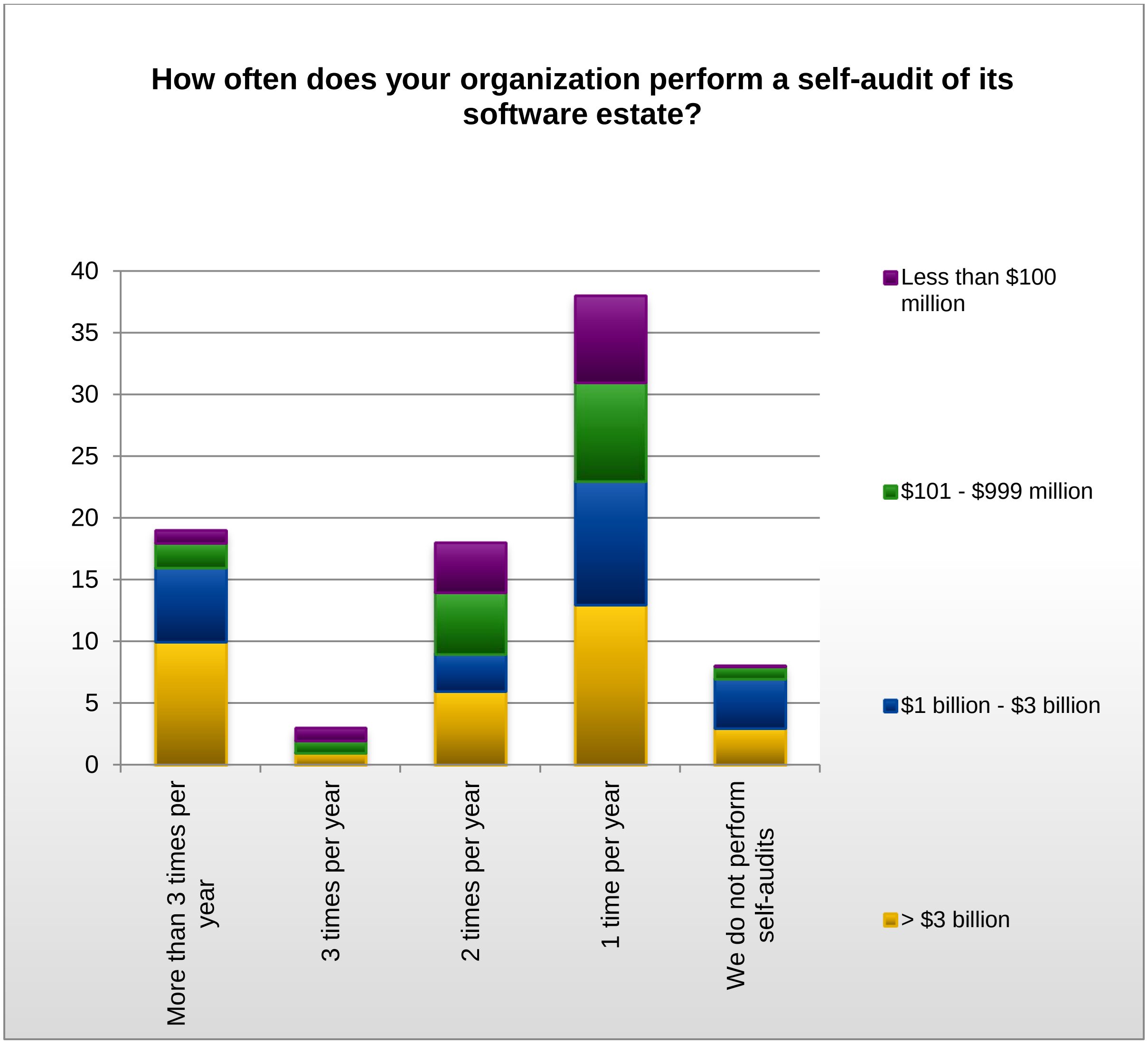

How often have you been audited (or had a license review) by your vendors within the last 18-24 months?
30
25
20
15
10
5
0
More than 3 times in the past year
3 times
2 times
1 time
We have not been audited or had a license review…
We have never been audited
Less than $100 million
$101 - $999 million
$1 billion - $3 billion
> $3 billion


If you have been audited within the last year, which vendors have audited you?
60%
50%
40%
30%
20%
10%
0%
19%
24%
51%
27%
22%
12%
24%
Adobe
IBM
Microsoft
Oracle
SAP
Symantec
Other (please specify)


If you have been audited within the last year, which vendors have audited you? (Crosstabulated based on company size)
35
30
25
20
15
10
5
0
Adobe
IBM
Microsoft
Oracle
SAP
Symantec
Other (please specify)
Less than $100 million
$101 - $999 million
$1 billion - $3 billion
> $3 billion


What was your total software audit true-up cost within the last year for your organization?
4%
5%
15%
45%
13%
19%
More than $10 million
$5 million to $10 million
$1 million to $5 million
$300,001 to $1 million
$100,000 to $300,000
< $100,000


How often does your organization perform a self-audit of its software estate?
9%
25%
3%
42%
20%
More than 3 times per year
3 times per year
2 times per year
1 time per year
We do not perform self-audits

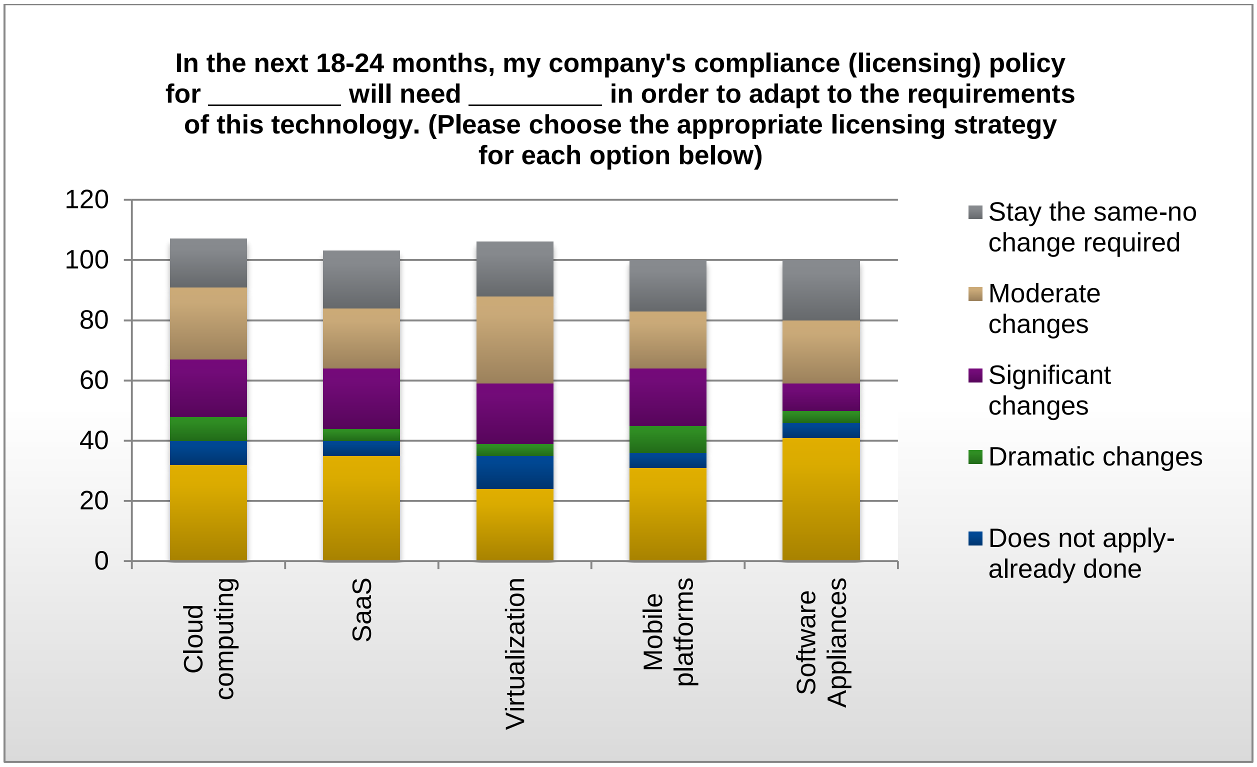


The Cloud & Virtualization

Virtualization and the Cloud Are Prompting Changes to Licensing & Compliance Policies

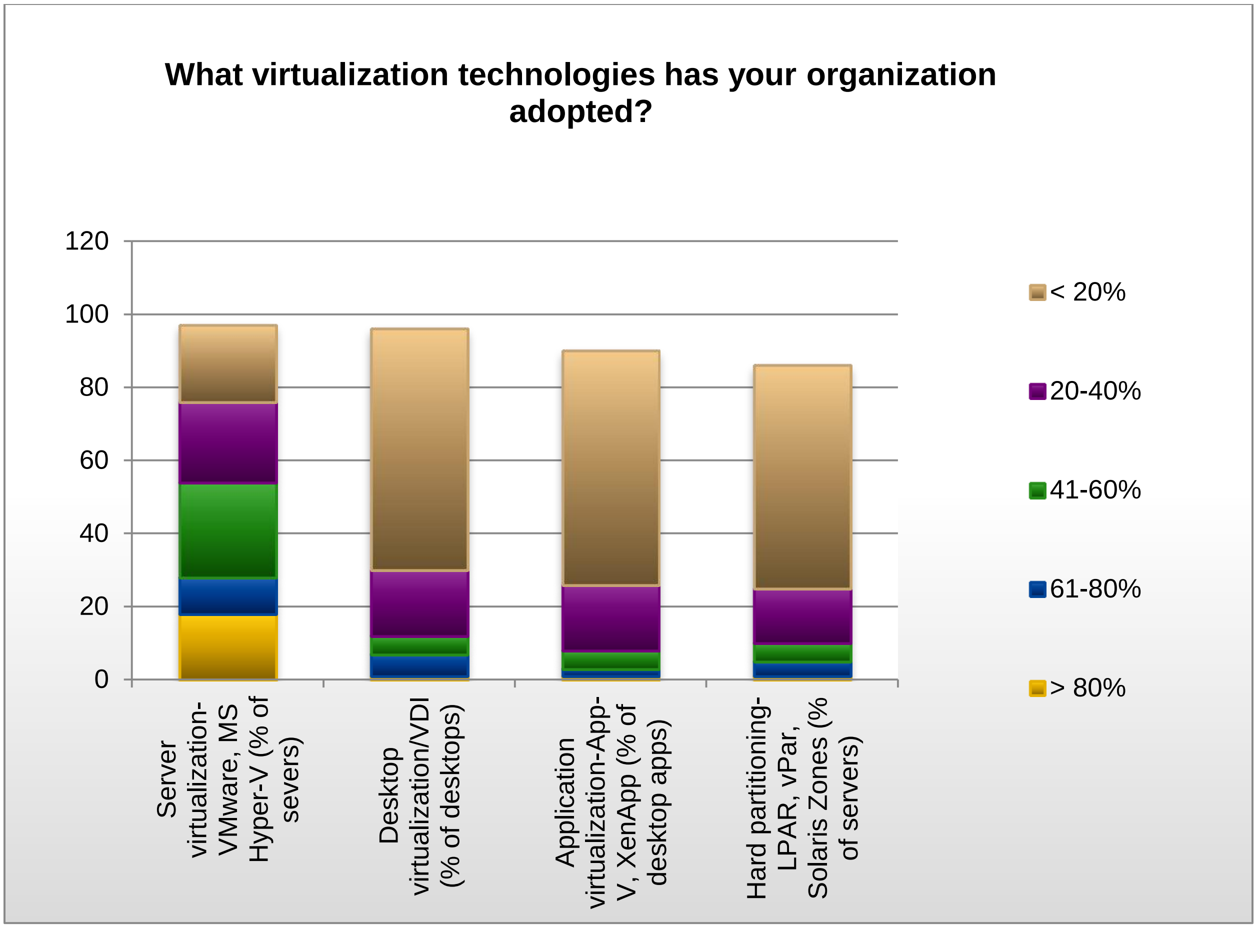
As new technologies take hold, application producers are thinking about how their licensing and compliance policies must change. For instance, 48% of respondents indicated that their compliance/licensing policies will need to change, to adapt to cloud technology. 43% say their policies will have to change to adapt to SaaS, 50% say changes will be required to adapt to virtualization, 47% will require changes for mobile platforms, and 34% will change to accommodate software appliances. Looking at the data another way, of all the application producers that are planning changes in the next

24 months for these different technologies, between 58% and 68% (depending on the technology) said that it will require changes to their licensing policies.



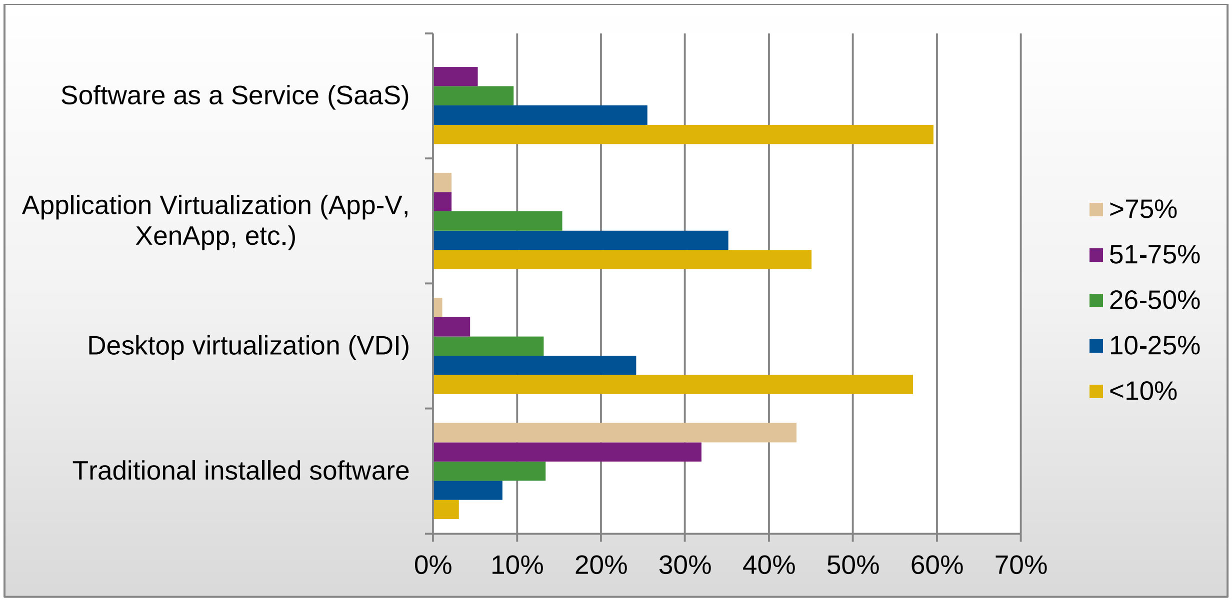
Server Virtualization Has the Greatest Penetration within Enterprises – and It's Growing

Among the virtualization strategies enterprises are adopting, server virtualization has the greatest penetration, according to enterprise respondents. 56% (up from 51% in 2011) report that 41% or more of their applications have been virtualized using this server virtualization. While there is no clear dominant leader among desktop virtualization, application virtualization and hard partitioning – those technologies have also taken firm root within organizations.



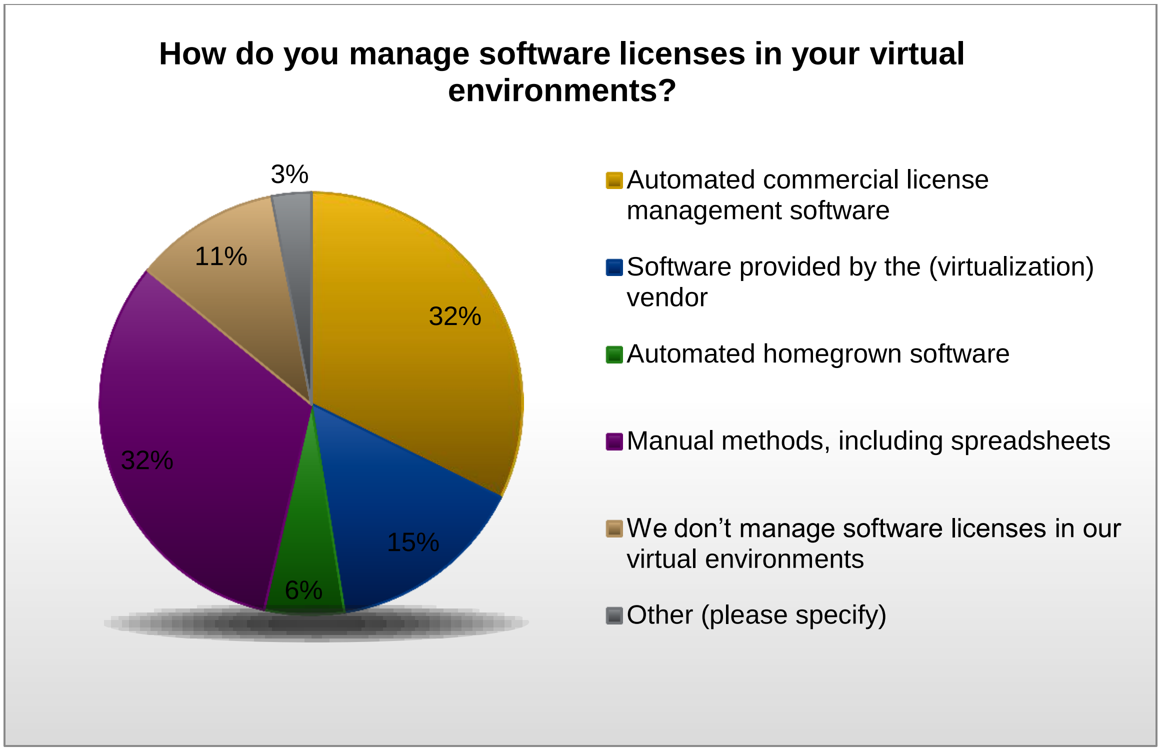
Desktop and Application Virtualization Gaining Momentum

75% of enterprises surveyed indicate that more than half of their enterprise applications are delivered through traditional installed software. 35% of respondents indicated that between 10-25% of their applications are delivered through application virtualization. 26% say that between 10-25% of their applications are delivered through SaaS, and 24% say that between 10-25% of their apps are delivered though desktop virtualization (VDI). These figures reflect that while currently there is no clear winner between application virtualization and desktop virtualization, some companies are using these technologies to deliver a large number of applications.



Enterprises at Risk in Their Virtual License Management Practices

Tremendous focus has been placed recently on the added software compliance risk exposure faced by enterprises due to virtualization. Some causes include the evolving rules around virtual licenses within software license agreements, and the sheer difficulty in tracking virtual license usage. According to the survey, enterprises are not yet fully managing that risk. 43% of respondents indicate that either they don't manage their virtual licenses, or they do so manually.


How do you manage software licenses in your virtual environments?
3%
11%
32%
32%
15%
6%
Automated commercial license management software
Software provided by the (virtualization) vendor
Automated homegrown software
Manual methods, including spreadsheets
We don’t manage software licenses in our virtual environments
Other (please specify)

Software Licensing and Provisioning Research at IDC

IDC's global Software Licensing and Provisioning research practice is directed by Amy Konary. In this role, Ms. Konary is responsible for providing coverage of software go-to-market trends including volume license programs, evolving license models, global price management, and licensing technologies through market analysis, research and consulting. In her coverage of software maintenance, subscription, electronic software distribution and licensing technologies, Ms. Konary has been instrumental in forecasting future market size and growth. Ms. Konary was also the lead analyst for IDC's coverage of software as a service (SaaS) for eight years prior to focusing exclusively on pricing, licensing, and delivery. International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. For more information about IDC, please see www.idc.com

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