



# How to Get Software Licensing Right the First Time

## **A practical guide for software vendors and embedded device manufacturers**

This paper discusses the importance of building a cohesive licensing team and a comprehensive strategy that integrates your licensing approach with your business processes—even before integrating licensing technology with your software products. The paper also illustrates, in real-world terms, the value of taking a proactive team approach to implementation and optimization of software licensing to fulfill successful software monetization strategies.

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## Introduction

A successful software licensing project requires more than technology. To get software licensing right the first time requires a big picture vision and a strategy that considers people, process, and technology.

This paper discusses the importance of building a cohesive licensing team and a comprehensive strategy that integrates your licensing approach with your business processes—even before integrating licensing technology with your software products. The paper also illustrates, in real-world terms, the value of taking a proactive team approach to implementation and optimization of software licensing to fulfill successful software monetization strategies.

## It's More Than Technology

If you're like most software and embedded device vendors, you want to protect your revenue streams. You want to control your software and the user experience to better govern your business. Like most, you're probably beginning to think in terms of technology – what technology can I integrate with my software to protect my revenues. Perhaps you've even started down the path to finding a technology solution to attach to your software product.

Even though you may have software engineers on staff, license management is generally not within your core competence. Accordingly, looking to a third-party license management solution as opposed to trying to build it in-house makes good sense in most cases.

Gemalto supplies thousands of software and intelligent device vendors with licensing technology and has helped many of these organizations with licensing strategies and implementation. In working with these companies, some common themes have emerged. These organizations recognize they have a problem or a need but are not sure where to begin or how to resolve it:

"We need more control over customer usage but we're not really sure where to begin."

"We have a licensing situation on our hands. We have information in lots of buckets and we're not really sure how or who should manage it."

"We started down this path and it's a little bit more complicated than we thought it would be."

In working with these teams, we frequently find they have more of a business integration problem than a technical problem.

These companies find the technology part of the equation is easy to solve with a commercial software license management system. And then they realize that they have a business integration problem. Focusing on technology alone puts these teams in a tough spot because it ignores how licensing touches the various people and business processes within their organizations.

When you have the license management technology in place, orders are flowing through your systems. You are selling goods and services, executing sales orders, fulfilling orders, supporting customers. When there are many people and departments involved and there are many moving parts, you have process.

A myopic technology-only focus ignores the business processes and the people components necessary for a successful software licensing project.

## Four Steps to a Successful Licensing Project

### 1. Assign a licensing owner

Very often, no one person is responsible for licensing. Because the licensing of your software is such a critical part of your business strategy, it is important to choose someone who will not only lead the initial licensing decisions, but will also own licensing post-launch. To be successful, this person should have a good solid customer background, and understand what is happening in the field to ensure a good customer experience. License Managers most often come from the product management side of the business.

### 2. Establish a cross-functional licensing team

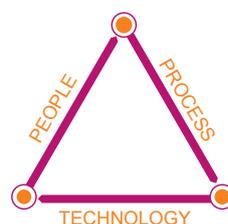
Licensing is a team sport because it touches every part of your company and all departments within your organization have a stake in it. Therefore, before you make any licensing decisions it is important to involve someone from each of the departments across your company. Each will bring a slightly different perspective and together as a team, you will arrive at the best decisions for your company and your customers.

### 3. Conduct regular license reviews and planning sessions

One would expect licensing decisions to take place in advance of launching a new software product. And they do. However, they should also be taking place at regular intervals throughout the software product's life. There are many economic, vertical market, technology, and software industry changes taking place in the world today. And thus, software licensing is no longer a set-it-and-forget-it decision. Your company and your software licensing will need to evolve to remain competitive.

### 4. Look beyond the technology to business process integration

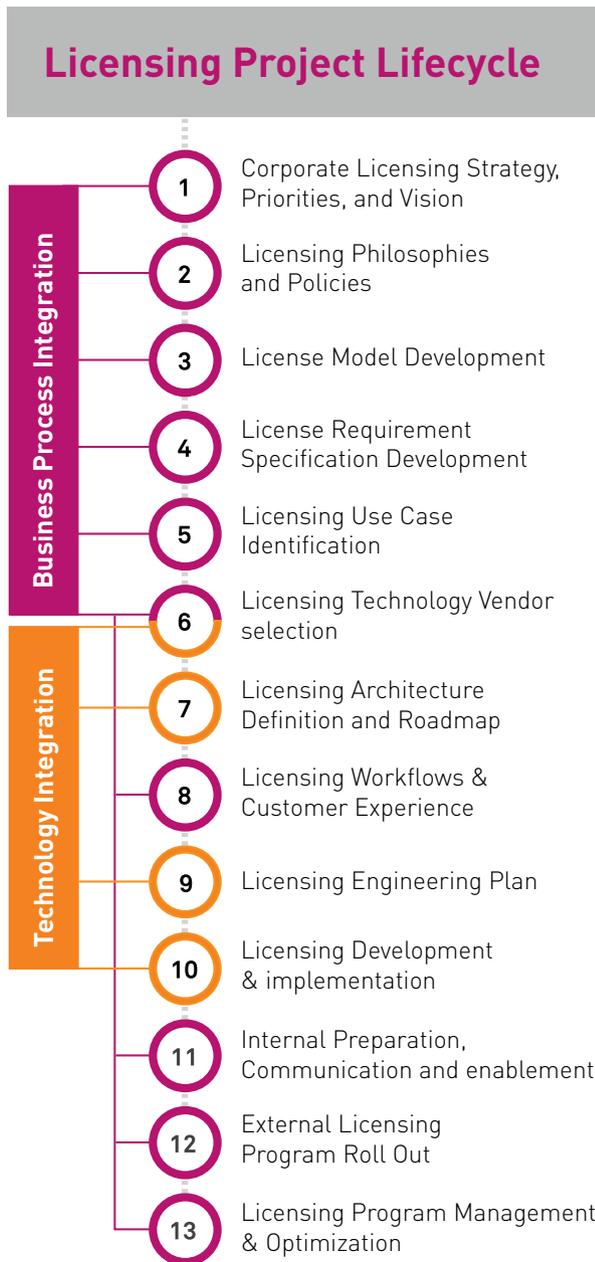
When approaching licensing decisions, most companies immediately think of the licensing technology itself and are not considering the business processes or people involved in the licensing equation. Successful licensing strategy and implementation demands a big picture approach that considers people, process, and technology.



## The Software Licensing Project Lifecycle

This chart outlines the considerations that many licensing project leaders must deal with during the software licensing project lifecycle. These considerations run the gamut from business process integration to technology integration.

From a business process perspective, you need to consider the corporate licensing strategy, priorities, and vision, along with your licensing philosophy, and policies. This sets the stage for what you are trying to accomplish.



Next you move into developing the license models, license requirement specs, and identifying use cases.

After selecting your licensing technology vendor you'll define and roadmap your licensing architecture, which is a technology integration consideration.

Next, you'll pivot back to a business process consideration; determining your licensing workflows and the customer experience.

Then back to technology integration considerations by developing the licensing engineering plan, followed by licensing development and implementation.

Then, in preparation for your external licensing program roll out, it's back to business process integration where you will be doing internal preparation, communication, and enablement.

Once launched, you will need to maintain and ensure a stable and optimized product as you move ahead.

Though the steps may vary slightly from vendor to vendor, these are all parts of a typical software licensing project lifecycle.

The technology sections are the areas that many companies tend to focus on. Teams first gravitate to the technology aspects of a software licensing project. Often, they source a third-party license management software development kit and get their engineering teams involved.

This is a very common approach but if you look at the big picture using ALL the steps mentioned here, the things that come before the technology pieces, which are extremely important, often get overlooked. These are the planning and vision development steps that need to take place before jumping into the technology. Then finally, once you have the strategy, vision and technology pieces figured out, it is important to focus on integrating your software licensing technology with your established business processes.

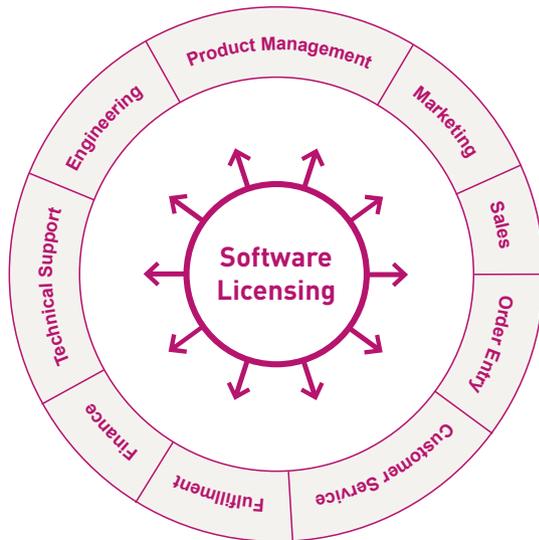
So why is it that so many teams ignore the planning and vision development around licensing and jump right to the technology pieces?

Most teams lack the big picture vision. They tend to start by visualizing in their heads how the entire licensing lifecycle system is going to work – how all the pieces will fit together. They know that they must do something. But they are not sure which pieces they can outsource, which things they need to emphasize, which things they need to approach from an industry standards perspective, and which things are just not important.

Without a clear vision, they gravitate toward a technology and often end up building the wrong thing. These teams need to stay focused on the big picture to be successful. Following is a framework to help guide you.

## The Cross-Functional Licensing Team

As we mentioned earlier, software licensing touches every part of your company so before you make any licensing decisions it is important to appoint an owner. Once you have a software License Manager, their charter will be to build a cross-functional licensing project team and involve someone from each of the departments across your company.



Not only is licensing a team sport, it is probably one of the biggest team sports you have internally because if you think about it – between all the different organizations, your licensing execution sits right in the middle. Licensing and licensing decisions involve finance, order entry, IT, development, tech support, product management, marketing, operations – the list goes on. Each player will bring a slightly different perspective and together as a team, you will arrive at the best licensing decisions for your customers and your company.

## Conduct License Planning Sessions

It is customary for license planning to take place in advance of launching a new software product and to remain competitive and in step with dynamic markets, it is also important to conduct reviews and planning sessions at regular intervals throughout the software product's life.

When guiding a team in how to prepare and conduct one of these sessions for the first time, we recommend focusing on three specific business elements. Sales models, operations, and license enforcement.

And remember, to get it right, a big-picture approach is key. First develop the strategy and vision. Determine which licensing technology to deploy and be sure to consider your people and the business processes with which your licensing technology will integrate. If you don't, you might not get it right.

## Look at Sales Models

When looking at your sales models, ask the team these types of questions: How are we selling today? How do we need to sell in the future? Ask your salespeople: If you had more control over the software behavior, regardless of what that control is, how would you like to be selling? Would you like to sell per unit of time or based on consumption, would you like to sell in small technology or feature bites? Would you want to issue site licenses to your customers and then charge them after the fact?

The idea here is to figure out how you can make the most money or monetize your software in the best way for you and your customers. There is no question, your salespeople will have input here, but make sure to involve the entire team in this discussion. You might be surprised how many valuable ideas will come from other members of the team. Once you understand a little bit more about how you are selling and how you want to sell, spend plenty of time looking at your operations.

## Look at Operations

In looking at operations, pay attention to your fulfillment and delivery mechanics. In most companies, there is usually only one or two people that fully understand what happens when a sales person places an order. How it travels through your system – from quote, to order entry, through getting the part numbers built into the bill of materials, flowing down into the ERP into CRM and how the customers get notified, and so forth.

To do this, you must take a very close look at your various ordering and fulfillment use cases. This usually represents a significant challenge for teams going down this path the first time.

Your team will need to identify and review all the different use cases in the ordering and the operational domain to fully understand your current process and customer experiences and decide what changes need to make. You will need to visit everything from initial purchase, to add-on purchases, to upgrades, maintenance renewals, and so forth.

It is important in this step that you take time to understand what happens now and exactly what your customer experiences. Then determine if you can improve the process or the customer experience.

Once you have reviewed and discussed operations then you can move on to enforcement.

## Look at Enforcement

In terms of licensing requirements, the next step is to start thinking about license enforcement and where you want to add controls. What is your license enforcement philosophy? How strict do you want your licensing to be?

You will want to discuss compliance versus software piracy, which are two very different things. The results of this conversation will play a key role in your license enforcement implementation.

For example, if your teams feel strongly that you need to prevent piracy at all costs and in all regions of the world, your implementation is going to look very different than if your corporate philosophy is one in which you simply want to put some tools in place to keep your honest customers doing the honest thing. Essentially, the tools make it inconvenient for them to become out of compliance inadvertently.

This example illustrates two very different philosophies, which require two very different implementations. These types of questions and discussion do matter.

Once you have a good picture of where you are today and how to fulfill your strategy moving forward, it is time to map your vision.

### Map Out the Vision

Now you have a good idea of how you want to sell and what you want that customer experience to be. You also know how orders will flow through the system and how your customers will receive goods/services. Now it is time to build out the vision.

Use a tool like PowerPoint to illustrate the detailed vision for each of your use cases. This exercise is a good way to ensure that all your team members are on the same page. It also allows you to 'paint the picture' and give others a feel for how things are going to work under certain conditions. From these basic sets of architectural diagrams, you can take that next step towards license design. Even though physically mapping out the vision makes complete sense and is a fundamental step in the process, it is often overlooked.

Now let's look at how one software company used the Gemalto software licensing process and technology approach to evolve and streamline its business as well as reduce costs and increase profits.

## Case in Point: A Real-Life Story

### Licensing Landscape

In its original state, this company had 120 different software products and about \$500 million in annual software revenues. However, because of acquisitions, it was supporting three different licensing technologies, each with a different customer experience. Because this ISV sold bundles that included products from each of the three different product families, the customer was sent in three different directions to fulfill the license keys. Not a very good user experience.

### License Key Generation

Half of the license keys for its high volume, high value software were generated manually and required 13 full-time people. These 13 people were costing this company over \$1.3 million per year – just to generate keys. The company used an automated tool to generate licenses for the remaining fifty percent of their software which cost this ISV another \$325K. The total cost for license key generation was over \$1.6M.

### Their Pain Points

- > Manual license key generation was expensive and slow.
- > Supporting separate customer experiences was not optimal and confusing to the customer.

### The Solution

Gemalto worked with this vendor to form a licensing team and help them become more efficient. The solution included streamlining of their processes, and an improved user experience by migrating license key generation for all their products to a single automated and scalable platform. So, regardless of which product the customer purchased, all keys were automatically generated in one place and provided to the customer through a self-service portal.

### The Results

Through a well-researched and thought out vision, streamlined processes, and automated self-service license generation, Gemalto helped save this company money and increase profits. An additional spend of \$165K in tooling enabled a \$500K per year cost reduction in headcount – while delivering a single, and much more feature-rich, customer experience.

Over the next couple of years, the company acquired four more software companies, each with a different license management system. The acquisition of these new companies required a total of 14 more licensing staff to manually generate keys.

Because it already had a scalable and streamlined corporate standard for license key generation, this company could move all the license key generation for the new acquisitions to the corporate standard. Streamlining its licensing processes and eliminating 14 licensing staff.

These results would not have been possible had this ISV not formed a cross-functional team, taken the time to step back, look at what they were doing, develop a new vision for how they wanted to execute and then bring that vision to reality.

## In Summary

For any business, pricing and delivery models are evolving. And it is important to take the time to align your license enforcement with them.

It is important to do the work up front to build out your strategy and vision before jumping into the technology part of the equation. Be sure that you successfully integrate your licensing approach with your business processes before worrying about integrating licensing technology with your software products.

Licensing is no longer a set-it-and-forget-it function so, make sure you periodically review and evaluate your licensing and enforcement strategies and adjust as needed. Using the framework presented here will help you avoid the pitfalls, unexpected problems and project delays, and get your software licensing project right the first time.

## Gemalto Software License Consulting Services

Gemalto Consulting & Services help you to deploy an effective software monetization solution for all stakeholders across the organization. Our consulting and services help you to protect and fully monetize your product offering, improve customer experience, reduce operational costs and improve business performance.

To ensure optimum results, Gemalto uses a four dimensional approach to software license consulting:

### Sentinel Licensing Consulting: 4D Methodology

The Gemalto Professional Services team is staffed with the industry's most sought after software licensing system design, implementation, optimization, and management experts.



Assess the scope and impact of licensing and entitlement needs across the organization to ensure alignment with clearly defined business objectives.



Implement customer requirements including configuration, integration and testing of all licensing, entitlement and product fulfillment specifications.



Define licensing policies, use cases, data models, workflows and map the customer experience to support the entire sale and product fulfillment lifecycle.



Validate functional, technical and customer experience specifications on production platform including complete knowledge transfer and training.

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Get a [FREE trial](#) of award-winning Sentinel software monetization solutions.

## Gemalto Software Monetization Solutions

Gemalto is the market leading provider of software licensing and entitlement management solutions for on-premises, embedded and cloud-based software vendors. Gemalto's Sentinel is the most trusted brand in the software industry for secure, flexible, and future-proof software monetization solutions. For more information, visit:

[www.gemalto.com/software-monetization](http://www.gemalto.com/software-monetization)

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