

How to Get Software Licensing Right the First Time

A practical guide to help you license, deliver, and protect your software



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More Than Just the Right Technology

Growing your revenue while scaling your business and maximizing customer satisfaction may seem like an impossible task. It's not.

If you feel like a hamster pushing a spinning wheel, you're not alone. Software licensing has become a key piece of nearly every modern business. Getting it right can help you grow, acquire new customers, and outlast your competition. This paper discusses the importance of optimizing your software licensing, and offers practical steps that can help you do so, in the most effective way possible.

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To get software licensing right the first time, you need a comprehensive strategy that considers people, processes, and technology.

You'll also have to take a real look at your current business models, operations, and delivery methods, and evaluate what you can change to improve these aspects of your business. Most important, though, is a clearly defined vision which can be properly implemented both internally and externally.

A desire to grow has been the continuous goal for nearly all companies, for as long as businesses have existed. In today's digital world, one of the main ways for businesses to do that is to think in terms of technology, whether through developing new solutions, or integrating existing technologies with your product. How can you offer your customers a better experience, whether through developing new solutions or integrating existing technologies, while increasing your own revenues?

We're going to focus on the simpler, and often-times more effective path that companies take – namely, how you can improve your existing product in a way that positively impacts your business. Oftentimes, this approach leads to companies evaluating their software licensing strategies.

Optimizing your software licensing can allow you to create new and innovate revenue streams and give your customers a better experience, all while increasing your operational efficiency and generating insights into how your customers are using your product.

Build Vs. Buy

A common mistake that companies make when it comes to software licensing is spending time, resources, and a lot of money, on trying to develop their own in-house licensing system.

Even with amazing software engineers on staff, license management is generally not within your core competence. The same way you probably didn't build your own CRM or ERP, you may not want to build your own licensing. Looking for a third-party license management solution, as opposed to trying to build it in-house, makes good sense for most companies.

There are certainly cases where companies have successfully developed their own licensing platforms, but they often find that that the real issue is that their business has quickly outgrown their homegrown licensing solutions. That can cause massive technical issues, weighing them down with additional staffing requirements, while at the same time delivering a poor customer experience to the end-users.

A solution that worked in the past for a smaller company may no longer work for a company that's now grown, or intends to grow, and needs a different type of licensing.

Identifying the problem is one thing, knowing how to solve it is a whole other issue

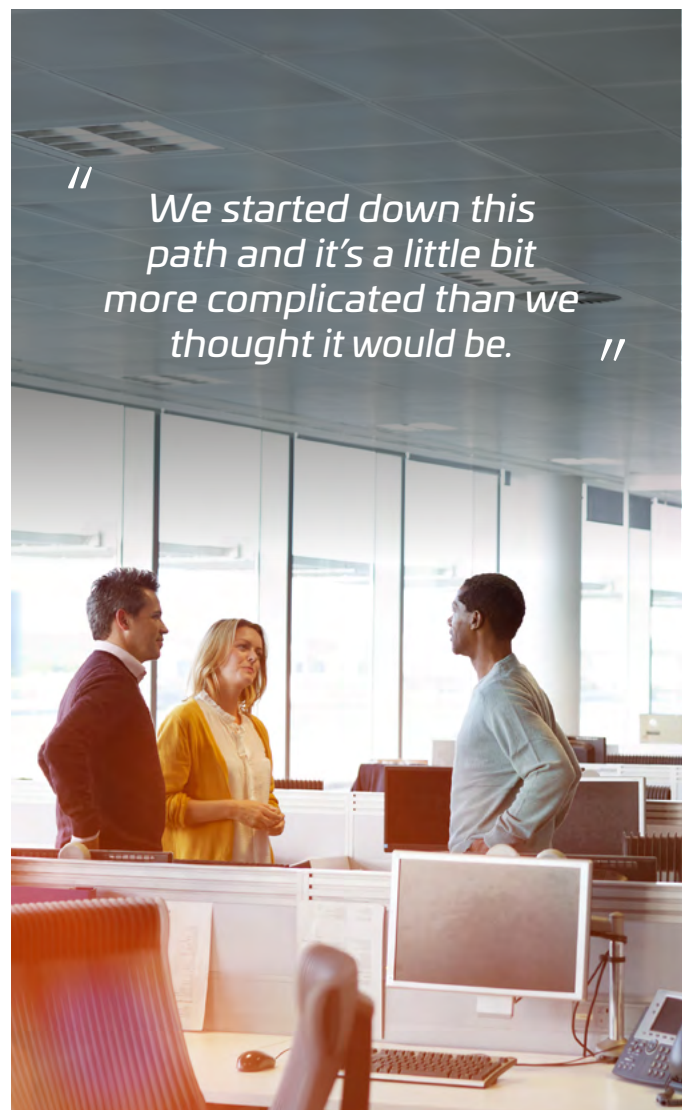
Finding the right technological solution seems like an easy first step, but the reality is that upon further examination, many companies realize that what seemed like a licensing issue is actually a business integration problem.

Attempting to solve licensing issues with a narrow technology-only focus ignores the business processes and other components necessary for a successful software licensing project.

When you have the proper license management technology in place, orders are flowing through your systems. You are selling goods and services, executing and fulfilling orders, while supporting your customers.

Getting to that place can be difficult. That's why we're giving you the four steps to start with when you implement a software licensing project. These are based on our years of experience working with all kinds of software companies throughout the world.

While many aspects of software licensing vary company to company, these are some universal truths we've found apply to most of our customers.



Four Steps to Success

Finding the right technology is only one step along the path to successfully integrating a new licensing platform into your business.

Effective licensing strategy and implementation demands an approach that considers people, processes, and technology.

1) Assign an Owner

All too often, no single person is responsible for licensing. Because the licensing of your software is such a critical part of your business, it's important to choose someone who will not only lead initial licensing decisions, but will also own licensing post-launch.

To be successful, this person should have a solid understanding of your customers' needs, and know what's happening in the field, to ensure an outstanding customer experience. Successful licensing managers most often come from the product management side of the business.

2) Establish a Strong Team

Licensing is a team sport. It touches every part of your company and all departments within your organization have a stake in it. To name just a few, without effective licensing, your sales team will lose deals, your operations team will be weighed down with unnecessary tasks, and your product management team will be unable to focus on more important issues.

Before you make any licensing decisions it is critical to involve representatives from most departments across your company, and consider their unique perspectives, in order to arrive at the best decisions for your business and your customers.



3) Look Beyond Technology

You may be surprised to read this from a company selling licensing technology, but finding a technology solution to replace your software licensing platform is actually the easy part of the equation.

What happens after that is where companies often struggle. The business integration of your licensing solution is a crucial, yet often ignored, step in the process. Focusing on technology alone puts teams in a tough spot because it ignores how licensing touches the various people and business processes within their organizations.

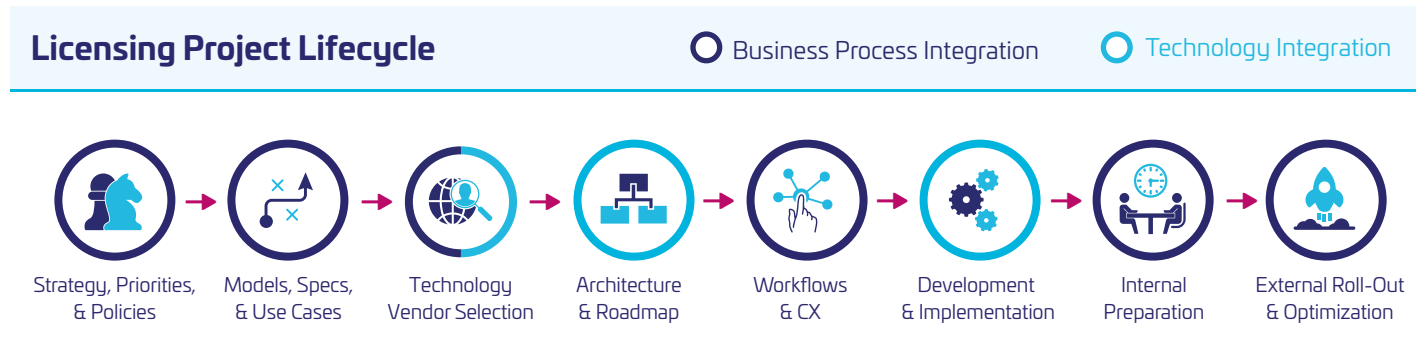
4) Conduct Regular Reviews

You might expect licensing decisions to take place before launching a new software product. And they do. However, they should also be taking place at regular intervals throughout that product's life.

There are many changes taking place in the world today, from your specific competitive vertical to the technology and software industries as a whole. Markets are constantly shifting. As a result, 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.

The Software Licensing Project Lifecycle

The graphic below outlines the stages that many licensing project leaders must deal with during the software licensing project lifecycle, although their order may vary. These considerations run the gamut and can be described as business process integrations, technology integrations, or a mix of both.



1. Corporate Licensing Strategy, Priorities, and Policies

At the start of your licensing project, you need to set the stage for what you're trying to accomplish. From a business process perspective, you need to consider the corporate licensing strategy, priorities, and vision, along with your licensing philosophy and policies.

3. Vendor Selection

You'll need to look at different technology vendors and consider who's right for you. Which company can guide you in your decision making, has experience with companies like yours, and has the greatest expertise in your field?

5. Workflows and Customer Experience

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

7. Internal Preparation and Communication

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.

2. Licensing Models, Specifications Requirements, and Use Cases

Next, you move into developing the licensing models, and license requirement specifications, and identifying your specific use cases. Will you try a usage-based model, a perpetual model, named-user licensing, or something else altogether?

4. Architecture and Roadmap

After selecting your licensing technology vendor, you'll lay out a roadmap of your licensing architecture, which is a technology integration consideration. Ideally, the licensing partner you selected will help you with all of this.

6. Engineering, Development, and Implementation

Then, it's back to technology integration considerations by developing the licensing engineering plan, followed by licensing development and implementation. Again, your technology vendor should be by your side throughout this process, helping you determine and then execute on your plan.

8. External Roll-out and Optimization

Finally, you will have your external licensing roll-out. After you launch, you'll need to ensure you have and maintain a stable and optimized product as you move ahead. Though these steps may vary slightly between companies, these are all parts of a typical software licensing project lifecycle.



The technology sections are the areas that many companies tend to focus on. Understandably, teams often gravitate to the technology aspects of a software licensing project, assuming it will be as simple as integrating a new tool. Often, they source a third-party license management software development kit and get their engineering teams involved.

This is a common approach. The issue is that, if companies fail to consider the bigger picture, their project is far less likely to succeed. Frequently, the earlier steps--the ones that come before the technology stages--get overlooked.

Once you establish your strategy and long-term vision, you'll be better able to work on the technology you need to make that vision a reality.

So, why do so many teams ignore the planning and vision development around licensing, instead jumping right to the technology pieces?

Determining a long-term strategy is harder than coming up with a quick solution to a frustrating problem. Companies often start holistically, by visualizing in their heads how the entire licensing lifecycle system is going to work and how all the pieces will fit together. They know that they have to do something. But they are not sure which pieces they can outsource, which things they need to emphasize, which elements they need to approach from an industry standards perspective, and which steps are just not important.

Since these questions are complicated, they tend to gravitate towards the technology, and often end up building the wrong thing—great technology that may not work with their larger software or company direction. These teams need to stay focused on the larger questions to be successful.

Staying focused on the “big picture” can be easier said than done, but one way to do so is to assemble an all-star cross-functional team responsible for your licensing.

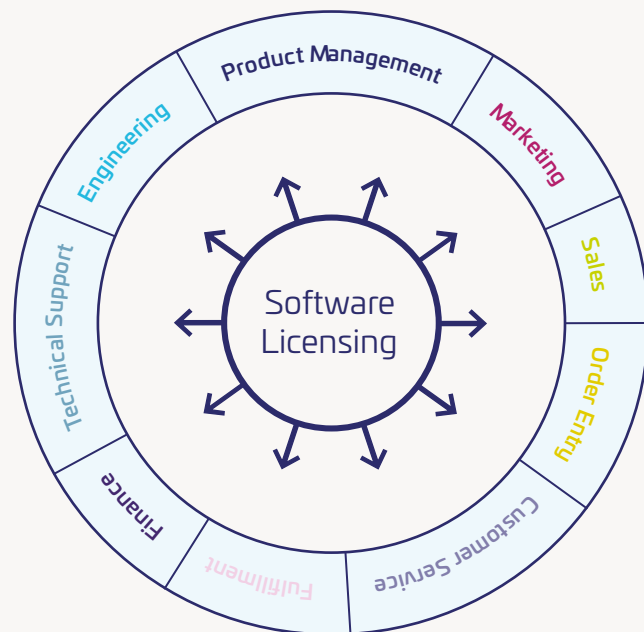
The Cross-Functional Licensing Team

Not only is licensing a team sport, it is probably one of the highest impact team sports you have internally

Start by appointing an owner – someone who will manage the software licensing project as a whole. Their charter will be to build a licensing project team that involves someone from each of the relevant departments in your company.

If you think about it, your licensing execution sits right in the middle of all that you do. Licensing decisions can involve finance, order entry, IT, development, tech support, product management, marketing, operations, sales - the list goes on. Each player will bring a slightly different perspective, and by working as a team, you will arrive at the best licensing decisions for your customers and your company.

Software licensing touches every part of your company, so building an all-star cross-functional licensing team is crucial.



Conduct Licensing Planning Sessions

While it's customary to plan out your full licensing plan before launching a new product, it's also important to conduct reviews and planning sessions at regular intervals throughout your software product's life.

The licensing that may make sense today and the licensing that makes sense six months or a year from now may very well be different. Reassessing your licensing strategy on a regular basis allows you to remain competitive and stay on top of the ever-changing market demands.

Narrow Your Focus

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: Business models, operations, and license enforcement.

Focus On: Business Models

When looking at your existing business models, consider these questions:

How are you selling today and how will you need to sell in the future?

Does the way you are selling match the way your customers want to buy?

Would your sales team want the ability to sell per unit of time, based on consumption, or in other creative ways?

The idea here is to figure out how you can monetize your software in the best way for you, without compromising on providing a great customer experience. There is no question that your salespeople should 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, how you want to be selling and the gap between those two, it's time to take a long, hard look at your operations.



Focus On: Operations

When reviewing your operations, you should start by taking a look at your various ordering and fulfillment use cases. In most companies, there are usually only one or two people who fully understand what happens when a sales person places an order.

Your team will need to identify and review all of the different use cases in the ordering and the operational domain to understand your current process and customer experiences. You will need to consider all elements of the purchase process from initial interest and conversion, to add-on purchases, upgrades, maintenance renewals, and so forth.

It's important that you take time to understand exactly what your customer goes through when buying software from you. If you don't know what the whole process looks like, end-to-end, how can you find the pain points, and improve them?

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

Focus on three specific elements: Business models, operational processes, and license enforcement.



Focus On: Enforcement

After you've looked at both your business models and your operations, the next step is to start thinking about license enforcement. What is your license enforcement philosophy, and how strict do you plan on being?

In particular, you will want to discuss compliance versus software piracy, which are very different. Your decision will play a key role in your license enforcement implementation.

Essentially, do you want to focus on intentional misuse (piracy) or unintentional misuse (compliance issues)?

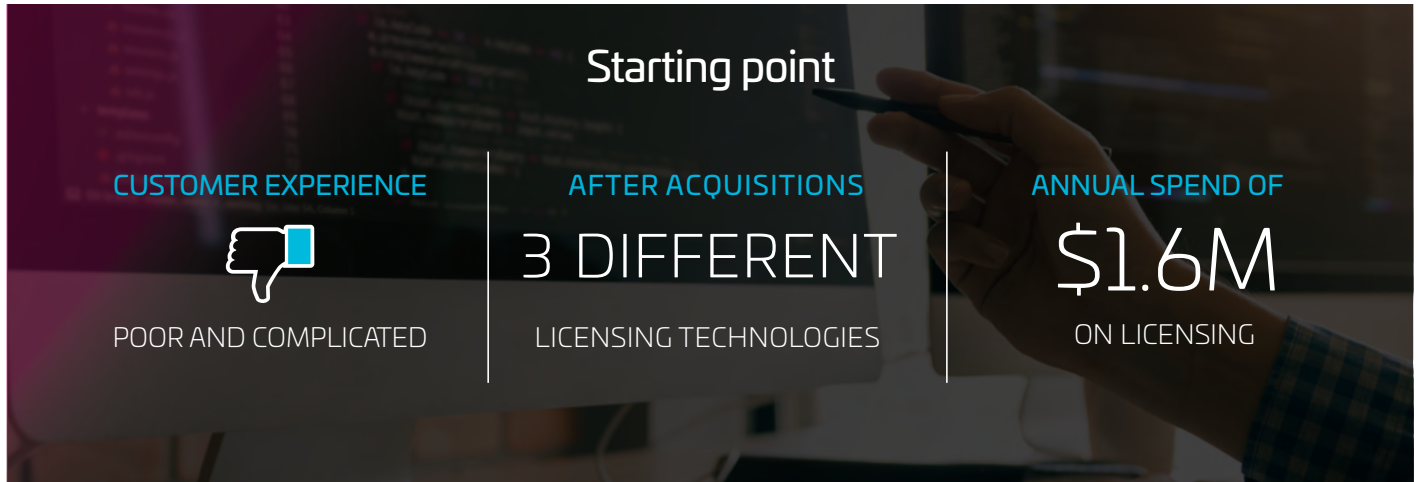
For example, if your teams feel strongly that you need to prevent piracy at all costs and in all regions of the world, your implementation is going to look very different than if your corporate philosophy is one in which you simply want to put some tools in place to keep your honest customers doing the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

These types of questions and discussions matter, as the different philosophies require two different implementations.

Focusing on your business models, operational processes, and enforcement policies will help you lay the groundwork for a successful licensing integration.

Case Study

Now let's look at how one software company used Sentinel software to evolve and streamline its business while reducing costs and increasing profits.



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 software vendor sold bundles that included products from any of three different product families, each customer was sent in three different directions to fulfill the license keys. Needless to say, his process did not lead to a positive user experience, and made it impossible for the company to successfully cross-sell or upsell to their customers.

Pain Points

There were two main problems the company faced at the start of their licensing project: their manual key generation was both expensive and slow and their separate licensing technologies were leading to a poor customer experience for their users.

When it came to license key generation, the company used an automated tool to generate licenses for around half of their keys, at a cost of \$325,000 per year.

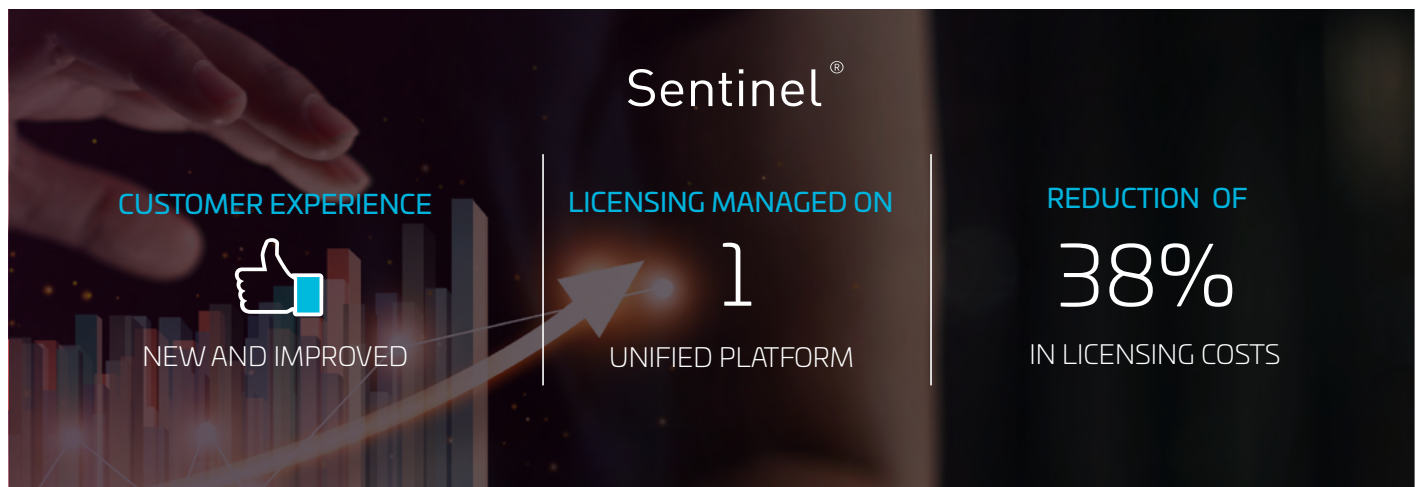
The other half of the license keys for this high-volume, high-value software, were generated manually and required 13 full-time employees.

These thirteen people were manually generating license keys at a cost of over \$1.3 million per year to the company. The total annual cost for license key generation was over \$1.6M.

The Solution

Sentinel worked with this vendor to integrate both business planning and execution and top-of-the-line technology into their licensing strategy. With assistance from senior Sentinel professionals, they formed a licensing team to lead the process and help them become more efficient.

Their solution included streamlining their processes, and improving their user experience by migrating license key generation for all of their products to a single automated and scalable platform. All keys, regardless of which product was purchased, 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, efficient processes, and automated self-service license generation, our customer saved a significant amount of money, while improving the experience for their customers.

Sentinel enabled a \$500K per year cost reduction in headcount, while delivering a singular, 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 employees to manually generate keys.

Because it already had a scalable and streamlined corporate standard for license key generation, this company could move the additional license key generation to the new corporate standard.

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

Focus on People, Processes, and Technology

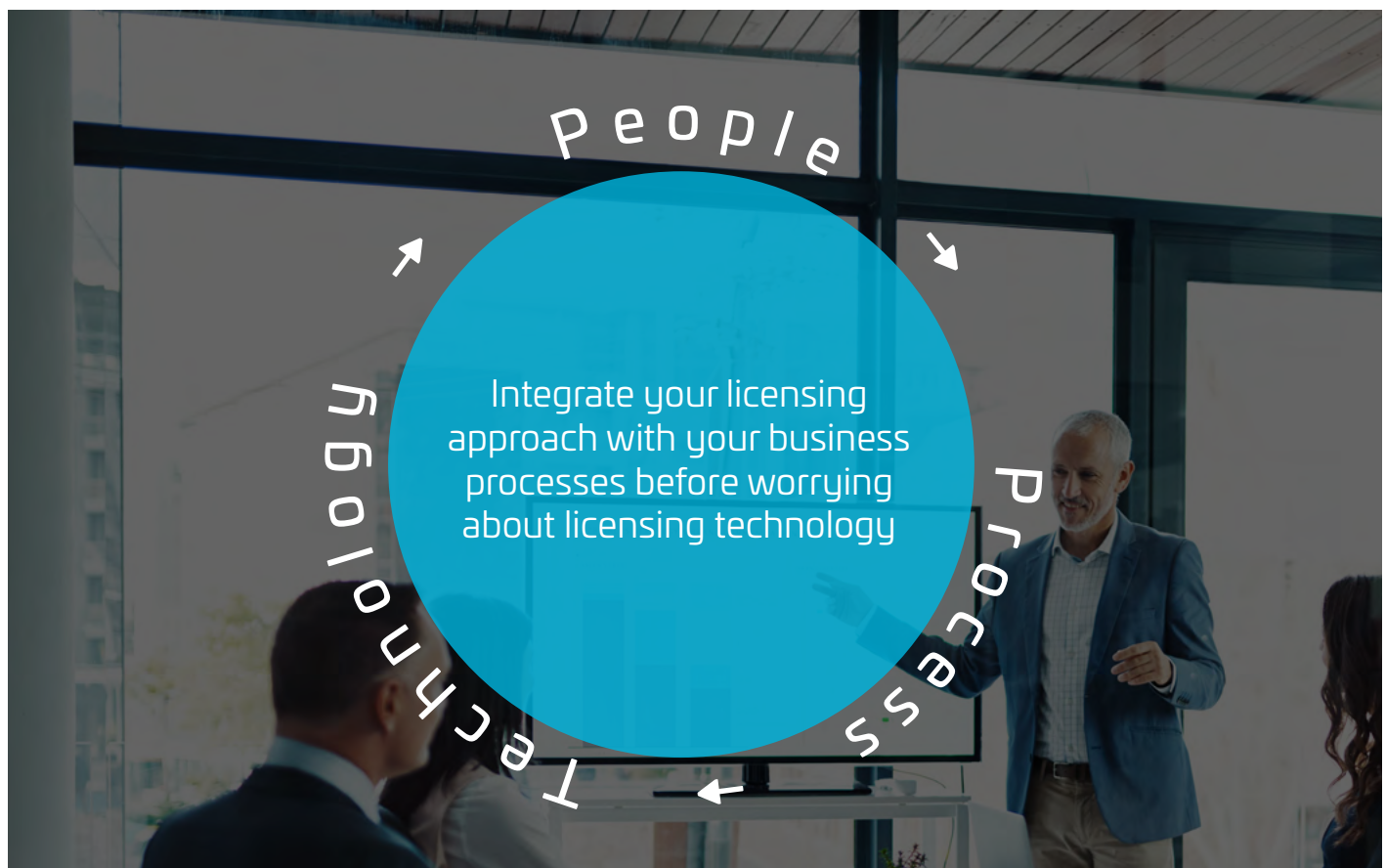
Future-proof Your Business with Software Licensing

The key to getting software licensing right the first time is to do the work up front and build out your strategy, vision, and licensing team before jumping into the technology part of the solution.

Focus on building an all-star cross-functional team, and choose a strong leader to own the licensing project. Be sure that you successfully integrate your licensing approach with your business processes before worrying about integrating licensing technology with your software products.

With the accelerated rate that customer expectations and market demands evolve, licensing is no longer a set-it-and-forget-it function. It has become imperative to periodically review and evaluate your licensing and enforcement strategies and adjust as needed. When looking for a licensing solutions company, put an emphasis on finding a trusted partner who will work with you to stay at the forefront of the ever-evolving market demands.

Using the framework presented here will help you avoid the pitfalls, unexpected problems, and delays that can come with undertaking this type of project, and allow you to get your software licensing right the first time.



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