Software Value Perception Gap: Application Producers Are From Mars -- Enterprises Are From Venus?

The Associated Press

A value perception gap exists between software buyers and sellers that could explain, in part, the growing diversity of software pricing and licensing models being demanded by enterprises -- and offered by application producers. According to Flexera Software's 2012 Software Pricing and Licensing Survey, prepared jointly with IDC, many producers believe they are not getting the full value of the software they're delivering to customers -- and many customers feel they're not getting enough value for their money.

According to the survey, nearly one quarter (24%) of application producers believe their licensing and pricing strategies are either ineffective or very ineffective in capturing the true value they deliver in their products. Moreover, enterprises indicated most frequently they are either unsatisfied or very unsatisfied with the price-to-value of their ERP software (25%), database software (22%) and CRM software (20%).

"The survey confirms a perception gap in the value of software that could explain some of the contentiousness between producers and their enterprise customers," said Steve Schmidt, Vice President of Corporate Development at Flexera Software. "We've seen first-hand that the manner in which some software companies package, price and license their software products does not necessarily correspond with how organizations use or value them."

The survey also points to changes in software pricing and licensing occurring across the industry that could close the software value perception gap. Application producers currently offer a wide variety of software pricing models, which reflects a corresponding diversity in demand for how enterprises want to consume software. Looking forward over the next 18-24 months, utility models (usage, time, number of transactions) are expected to be used by 23% of application producers (up from 9%), signaling increased interest in usage-based pricing. Such models have the potential to reduce or eliminate the perception gap as the amount an enterprise pays for software is tied directly to its actual usage.

Application producers are changing their licensing and pricing strategies in order to strike the difficult balance between maximizing 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. The most cited reason for the change was to generate more revenues (69%), up from 40% in 2011. Other reasons cited for the changes were to improve customer relations

(44%), to accelerate sales cycles (35%) and to enter new markets (28%).

"There is a wide spectrum of software pricing and licensing models that application producers can choose -- from perpetual licenses to usage-based pricing models," said Schmidt. "By building pricing and licensing flexibility into their products, they can very easily package and price their software tailored to the changing needs of their customers -- and as a result both increase revenues and customer satisfaction. The survey shows that we are seeing this begin to happen -- the result of which will ultimately narrow the software value perception gap that exists today."

Click here to access the complete survey results.

Resources:Access the 2012 Key Trends in Software Pricing & Licensing Survey Learn more about SoftSummit Regional Briefings Learn more about Flexera Software's Licensing & Entitlement Management Solutions Learn more about Flexera Software's Software License Optimization Solutions Related Flexera Software Webinars Related Flexera Software White Papers

About the 2012 Key Trends in Software Pricing and Licensing Survey

Since 2004, Flexera Software has produced the Key Trends in Software Pricing and Licensing Survey in conjunction with several industry partners such as the Software and Information Industry Association (SIIA), the Centralized Electronic Licensing User Group (CELUG), and Electronic Design and Automation (EDAC). Since 2009 Flexera Software has joined forces with IDC for the survey. Amy Konary, research vice president - software licensing and provisioning at IDC, prepared the analysis and presented these findings at Flexera Software's SoftSummit Regional Briefings. Executives and managers at 334 software vendors, intelligent device manufacturers, and enterprises participated in the survey.

About Flexera Software

Flexera Software helps application producers and enterprises increase application usage and the value they derive from their software. Our Application Usage Management solutions are essential to ensure continuous licensing compliance, optimized software investments and to future-proof businesses against the risks and costs of constantly changing technology. Over 80,000 customers turn to Flexera Software as a trusted and neutral source for the knowledge and expertise we have gained as the marketplace leader in licensing, installation and compliance for over 20 years and for the automation and intelligence designed into our products. For more information, please go to: www.flexerasoftware.com.

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