

F R O S T & S U L L I V A N

FROST & SULLIVAN BEST PRACTICES AWARD

SOFTWARE ENFORCED SEGMENT OF SOFTWARE
LICENSE MANAGEMENT - GLOBAL

Market Leadership 2019

FLEXera

Install | Protect | Monetize™

FROST & SULLIVAN

2019

BEST
PRACTICES
AWARD

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Background and Company Performance

Industry Challenges

Software is licensed, not sold, as the IP is owned by the software company or device vendor. End users purchase usage rights to the software, SaaS, or software-powered devices, which can vary over time or expire. License parameters are defined at development, issued for the specific customer/group of users at purchase, and enforced continuously thereafter.

Traditionally, the primary goals of a license monetization system have been to:

- Efficiently define and implement licenses per target product editions and business models.
- Accurately and transparently track usage where necessary.
- Minimize unauthorized use of software applications.
- Integrate with back office systems for automated invoicing, billing, tracking, auditing, and more.
- Protect IP and secure software products against illegal copying with strong technologies to prevent reverse engineering and tampering.

Today, the value proposition has expanded to include enabling the implementation of advanced licensing models and various deployment methods. This flexibility enables vendors to enter new markets and sell software the way their customers want to buy and consume it. The solutions further enable self-management of licensing and entitlement operations, giving end-customers full control and visibility over what they bought and consumed. Vendors are able to gather usage information, allowing them to gain insights into how products and features are used.

An increasing number of technology companies chasing higher margins are changing their business model to software-based selling, spurring interest in Software License Management or SLM. Disruption in their sector and increased competition are also seen as reasons to make changes. Better control of copy protection, implementing remotely upgradable features and providing a better customer experience are also among some of the key driving factors.

A significant portion of software publishers and device vendors use homegrown systems or alternative measures instead of commercial SLM. However publishers consolidating through mergers and acquisitions (M&A) inherit a mess of homegrown systems that are expensive to maintain and support. Benefits of adopting a uniform SLM solution include operational savings, business process streamlining, reduced burden from technical support, and reduced reliance on historical experience for developers to maintain/grow SLM features.

As publishers mature and require advanced licensing models—such as floating licenses, support for virtualization, Internet-based activation, online/offline monitoring, strong node locking, handling of firewalls, application analytics, and cross-device/cross-platform

support—commercial SLM systems offer richer feature sets with more stability. They also offer far more economy and scale than homegrown systems, with a much lower time-to-market and cost.

It takes time for companies to realize that their homegrown licensing approach is hard to justify before they turn to SLM vendors. A home-grown solution is tempting but can prove to be costly to implement and maintain: the addition of a new licensing model, for example, may require a full development cycle. This can severely burden development teams, impact roadmaps and draw out time-to-market for new product releases.

Frost & Sullivan continues to identify gradual increase in the use of formal SLM solutions across all classes of software publishers and device manufacturers. That said, B2C software continues to be largely protected using in-house solutions—many of which leverage licensing API hooks in ERP and CRM software for back-office operations but rely on self-built enforcement or do not use enforcement at all. B2B software aggressively leverages commercial SLM in some areas such as CAD/CAM and animation and shows adoption of commercial SLM across nearly all verticals. Nonetheless, there continues to be noteworthy use of homegrown systems.

Market Leadership of Flexera

Growth Strategy Excellence

Flexera has a long history in the software industry and is the de-facto standard for many segments including EDA, CAD and CAM. Flexera's Monetization platform enables software publishers and device manufacturers to implement a wide range of digital monetization models for Cloud, SaaS, on-premises and embedded applications. Monitoring, reporting, and analytics capabilities enable data collection and intelligence from software and IoT devices. In addition to its licensing and entitlement management functionality, the platform also offers software delivery and updates for both connected and intermittently connected devices.

Implementation Excellence

Over the last 10 years, Flexera has significantly grown its business in the Intelligent Device and IoT industry, especially in the Enterprise and Industrial IoT. Flexera expanded over the last few years, now offering a global go-to-market approach with teams in North America, Europe and APAC.

Brand Strength

Flexera continues to have a strong brand position largely because of the software enforcement segment in North America which is lucrative and fast-growing. The company is well-positioned in the high-end desktop software segment, particularly verticals such as electronics design automation (EDA) and computer-aided design/computer-aided manufacturing (CAD/CAM). Flexera's licensing and entitlement management solutions are being used by approximately 4000 customers. Flexera's solutions manage tens of millions of entitlements for more than 10 million users and deliver more than 100 million software updates per year.

Product Quality

Flexera's Software Monetization Platform, with its products FlexNet Operations and FlexNet Licensing, allows software companies to gain control over their customers' software license compliance. Further, Flexera enables the measurement of usage that enables software companies to understand their customers' software usage patterns and version/feature adoption across on-premises, embedded and SaaS applications, ultimately enabling them to implement consumption-based business models.

Flexera's FlexNet Licensing solutions enable the enforcement of terms and measurement of usage data at the software endpoints (devices, packaged software and SaaS). That can be done through a Cloud Licensing Service, local license servers for intermittently connected or disconnected software or a secure API driven approach (Cloud Monetization API) that helps provision SaaS users and use rights directly in-app.

FlexNet Operations enables churn reduction, increases renewal rates and helps drive upsell and cross-sell campaigns more effectively through customer insights. It also helps manage renewals proactively and provide customers with insight and transparency. The solution empowers customers with customized notifications, self-services and clear call-to-actions.

The solution helps software vendors manage the software lifecycle in complex supply chains and multi-tier channel models, providing self-services to manage software licenses and entitlements for both channel partners and end customers.

FlexNet Operations also enables quick and secure software delivery. It provides the capability of delivering software electronically, based on customer entitlements and ensuring only eligible customers receive downloads and upgrades. It automates the fulfillment of export compliance requirements and tracks downloads automatically so usage can be properly understood.

FlexNet Edge extends updates and data gathering to secure disconnected environments and simplifies device management by creating device groups and defining update rules per group. It helps to prevent revenue leakage with entitlement-driven updates and to maintain a full track record of what has been delivered and what is deployed.

Customer Ownership Experience

Flexera's customer centric approach can be best illustrated from the real-life use case of PTC. ThingWorx is used by PTC partners to develop their IoT offerings as well as manufacturers who run their IoT processes based on the platform.

PTC wanted a central monetization platform that could provide a complete view of their customer base and monetization models and ease processes related to entitlement management, subscription management and compliance control—for on-premises and SaaS offerings.

Flexera's Monetization Platform supported all of PTC's outlined needs right out of the box in a standard setup. Today, ThingWorx seamlessly leverages Flexera's software

monetization technology. In its on-going effort to provide an improved customer experience and to reduce the home-grown solutions still used in their other products, PTC will continue to move existing products onto the Flexera platform. That will give the company the comprehensive view on all its customers on all its products and the usage insights needed to successfully grow its business.

Price/Performance Value

Flexera's value goes beyond pricing as can be seen from real-life deployments. While there is an effort and cost to implementing the solution initially, customers benefit long term in many areas such as:

- Increased top line revenue through accelerated revenue recognition, eliminated revenue leakage, better management of customer compliance and renewals and more insight into customers and products.
- Cost savings created by streamlined operational processes related to entitlement management, software delivery and fulfillment and usage management for all software products, plus accelerated time to market for newly created or acquired products.
- Increased focus on new features and core products in Engineering and Support teams, due to reduced time needed for licensing and entitlement management processes.

Conclusion

Flexera has continued to grow and maintain its position as a leading provider of SLM solutions within the broader Global Software License Management Market. With the need for software enforced solutions continuing to grow, Flexera is well positioned to meet customers' evolving needs for effective SLM for the foreseeable future. Frost & Sullivan is proud to present the 2019 Market Leadership Award for the Software Enforced Segment of the Global Software License Management Software Market to Flexera.

Significance of Market Leadership

Ultimately, growth in any organization depends on customers purchasing from a company, and then making the decision to return time and again. Loyal customers become brand advocates, brand advocates recruit new customers, and the company grows, and then attains market leadership. To achieve and maintain market leadership, an organization must strive to be best in class in 3 key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Market Leadership

Driving demand, strengthening the brand, and differentiating from the competition all play critical roles in a company's path to market leadership. This three-fold focus, however, is only the beginning of the journey and must be complemented by an equally rigorous focus on the customer experience. Organizations that demonstrate best practices, therefore, commit to the customer at each stage of the buying cycle and continue to nurture the relationship once the customer has made a purchase. In this way, they build a loyal, ever-growing customer base and methodically add to their market share.

Key Performance Criteria

For the Market Leadership Award, Frost & Sullivan Analysts focused on specific criteria to determine the areas of performance excellence.

Criterion	Requirement
Growth Strategy Excellence	There is a demonstrated ability to consistently identify, prioritize, and pursue emerging growth opportunities.
Implementation Excellence	Processes support the efficient and consistent implementation of tactics designed to support the strategy.
Brand Strength	The brand is respected, recognized, and remembered.
Product Quality	The product or service receives high marks for performance, functionality, and reliability at every stage of the life cycle.
Product Differentiation	The product or service has carved out a market niche, whether based on price, quality, or uniqueness of offering (or some combination of the three) that another company cannot easily duplicate.
Technology Leverage	There is a commitment to incorporating leading-edge technologies into product offerings for greater product performance and value.
Price/Performance Value	Products or services offer the best value for the price, compared to similar offerings in the market.
Customer Purchase Experience	Customers feel they are buying the optimal solution that addresses both their unique needs and their unique constraints.
Customer Ownership Experience	Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service.
Customer Service Experience	Customer service is accessible, fast, stress-free, and of high quality.

Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate award candidates and assess their fit with best practices criteria. The reputation and integrity of the awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the world	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging industries • Scan multiple regions 	Pipeline of candidates that potentially meet all best practices criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best practices criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best practices criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best practices positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best practices award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select recipient 	Decision on which company performs best against all best practices criteria
9 Communicate recognition	Inform award recipient of award recognition	<ul style="list-style-type: none"> • Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Upon licensing, company is able to share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of the research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, resulting in errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, helps clients accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's growth team with disciplined research and best practices models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on 6 continents. To join Frost & Sullivan's Growth Partnership, visit <http://www.frost.com>.