

## IT Analysis – Musings on the Future: Is Licensing at a Tipping Point?

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It seems to me that we are at one of the many points in the history of IT that can be seen as a defining point—whether you want to call this an inflexion, a tipping point or anything else that may be the term du jour.

What's the one this time? I think that licensing is reaching a point where we could see some big vendors having to respond very fast to pressures that are building up at the moment.

What are the drivers behind all of this? Well, one is the move to a service oriented architecture (SOA)—this is beginning to focus the minds of business people on the fact that per-seat licensing is fast becoming an anachronism—if the “application” doesn't exist, then trying to force money out of a “user” of something that isn't there is a bit too much.

Aha—so we move to per CPU licensing. Well, certain vendors are struggling with this—look at Oracle's multi-option licensing. It all depends not on how many cores you have to your CPU, but also on where the CPU has come from, as certain multi-cores are more effective than other multi-cores. Try figuring all of that out when figuring out what would actually give you the best bang per buck.

Hmm—so there's per server licensing, where we tier things depending on a nominal size of the server. Better—but let's take this to a grid environment. Any server in the infrastructure could end up being used by a service/application, depending on need. Would you need to license every server just in case it got used? No way—another failure.

I know—by usage—CPU “clicks”, or number of transactions, or data throughput. Great—except that 30% of your infrastructure resources will be taken up by measurement and management software.

Well, how about enterprise licensing? Now we're getting somewhere—tiering licenses based on size/type of organisation must make more sense—the bigger you are, the more you pay.

It's hardly surprising that when we asked companies through our end-user research whether they wanted fixed or variable licensing on their software, we got a near 40/40/20 split on fixed, variable and “don't know”. It's just too complicated—and it's a solid on-going cost to the business.

It's time that the vendors became more flexible themselves—and we're seeing many starting to do so. Many vendors now look at basic subscription licences—you pay your money and you get a service—it's not an outright purchase of the rights to have the software on your infrastructure, but it is a license to use the functionality while you continue paying.

OK, but how about even more flexibility—how about flexible subscription costings? Here, the company agrees with the vendor up front on whether the solution cost should be front-loaded, back-loaded or averaged out over a period of time. The vendor essentially becomes the funding agent for the solution, calling off agreed payments along the life of the solution—which would also include all maintenance and update payments. Nice and clean, the problems of perpetual against renewable licences disappear—nothing is actually owned by the customer.

For those vendors that are willing to move to a slightly higher risk environment—i.e. forget license revenues, but explain to Wall Street why this is a reasonable step—the future is probably rosy. For those who are too close to Wall Street mentality, then Wall Street end results will be the rule—the horizon is at most 3 months away—and the cliff may just be 3 months and a day away.

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