

SOFTWARE FOCUS: CONVERTING UNLICENSED USE TO REVENUE

How software vendors are evolving strategies to discover new customers, increase profit, and reduce risk of data loss.

64%

85%



INTRODUCTION

Surveys into the use of unlicensed software consistently show the scale of the issue facing vendors and if you are making decisions on what you need to do next, you are not alone.

40%

OF ALL SOFTWARE USED
WORLDWIDE IS NOT PAID FOR.

\$46 BILLION

A YEAR LOSS DUE TO UNLICENSED SOFTWARE.

The latest research from The BSA | The Software Alliance, reveals nearly 40% of all software used worldwide is not paid for¹. This equates, the research states, to software companies losing nearly \$46 billion a year due to unlicensed software.

The need for vendors to fully understand how their products are being used has never been greater and companies are demanding actionable insights into how unlicensed use is affecting their business, their customers, and their revenue.

Vendors need to understand where their revenue leakage is occurring and then have confidence in their findings to address this in order to maximize revenue from their software investment. They need to know when the license compliance functionality they currently deploy is being circumvented, how unpaid use is being hidden with older product versions, and how they can overcome these barriers.

Data on software usage and the insights that provide the platform for robust, data-driven decision-making has never been so important to vendors in how they tackle the challenges they are facing today. Even in the fast-paced world of the software industry, companies are now finding they are having to evolve quicker than ever to keep ahead.

This white paper explores how leading software vendors are evolving their strategies to address these unlicensed use issues and adding value to their business through the discovery of new customers, by increasing their revenues, and reducing the risk of data loss.

RECOGNIZING THE NEED TO EVOLVE

Most companies developing software today will have some form of monitoring in place alongside the management of their license compliance; the days of accepting that levels of unlicensed usage are to be expected or ignoring them altogether are over.

At the most basic this can be determining if and how software has been compromised, which certainly provides a snapshot to the company, but as this can be binary it doesn't add value to the wider teams, such as product development or sales and marketing.

Further data acquisition technologies with usage and analysis software adds a layer of sophistication to provide reporting on the who, where, what, and how often products are being used. This unlocks greater value for the business, but companies can too often be forced to build on this themselves, from scratch or developing what they currently have.

On the face of it, it would make sense for a software company to write and develop what it needs, but it isn't that straightforward. In fact, Frost & Sullivan acknowledge that while home-grown solutions may be tempting, they can prove costly to implement and maintain,

potentially requiring a full development cycle, which can "severely burden development teams, impact roadmaps and draw out time-to-market for new product releases.²"

This doesn't mean that a vendor should immediately dive into deploying any monitoring software in an attempt to boost its detection capabilities or to assume that once it has something new in place the issues are addressed. Nor does it necessarily mean starting over.

It may be that adding in extra layers to the established data acquisition technology strengthens the flow of data so significantly that the additional business intelligence gleaned enables a far greater number of unlicensed users to be identified and, therefore, converted to customers and ultimately, to revenue.

So, what could these extra layers do and what does the new generation of capabilities deliver?



"WHY WOULD WE NOT JUST WRITE IT OURSELVES? OUR CORE SOFTWARE BUSINESS NEEDS DEVELOPERS TO DO THAT AND USING VALUABLE RESOURCES TO DEVELOP LICENSE COMPLIANCE SOFTWARE JUST WOULDN'T FLY. TECHNOLOGIES THAT EXIST TODAY ARE FAR SUPERIOR TO ANY HOME-MADE DEVICE."

Michael Gallagher

President & CEO, Hexagon Manufacturing Intelligence Canada, Ltd. (Cylynt customer)



DATA IS EVERYTHING AND EVERYWHERE



Data is critical to any business and software vendors, like so many others, can be overwhelmed by the increasing amount of information coming in from multiple sources, in various formats and with varying degrees of integrity. The different sources provide valuable evidence, but this requires cross-referencing the insights gathered from a user's proprietary data with public source data—"outsights"—such as websites, social media accounts, and company databases.

The major challenge vendors face is how to sift, sort, and distill these insights and outsights from the various flows into their data lake. This reveals the valuable business intelligence that is needed for day-to-day action and longer-term business strategy.

In addition, when dealing with compliance issues the decision makers need 100% confidence that the information they are acting upon is, itself, 100% accurate. Avoiding false positives in unlicensed use, and especially making incorrect accusations to customers, is something that any vendor wants to avoid, so removing the risk of having incorrect rules within usage software is critical.

Equally important is the removal, or at least reduction, of the numerous workarounds that unlicensed users are employing, which would ordinarily leave usage software unable to detect non-compliance.



The new generation of usage software is less susceptible to any form of workaround, barrier, or circumventing. If, for example, an unlicensed user could switch off their internet connection during use of an application to avoid detection, the use—or misuse—might not be reported at all by traditional usage software as the phone-home capability would be lost. With the new generation of usage monitoring, even without an internet connection the data would all still be captured in real time and then sent once connectivity is restored.

Older versions of products can also be misused by those wishing to avoid detection, as updates and upgrades to usage software often cannot be carried out remotely. The same issue arises with any changes

to regulations, such as those relating to privacy, for example. With some monitoring software this means the “hidden use” can continue uninterrupted. The new generation of usage technology takes all of this into account, so can automate any changes that need to be addressed as and when they are required, long after initial deployment.

The extra layer the new generation of usage software brings can overcome all these issues, offering greater depth and enrichment to the data captured. This, in turn, means greater confidence for those who rely on it, so better decisions can be made more easily as they are based on accurate, analyzed, and enhanced information, which translates into increased value to the business overall.



REAPING THE BENEFITS

Looking at the companies who have already applied extra layering to their data acquisition, where are they seeing the benefit and value?

THE INCREASED VALUE CAN BE POSITIONED BROADLY INTO THREE INTERRELATED CATEGORIES



1: IMPROVED BUSINESS INTELLIGENCE

The first is from the improved business intelligence that provides the total visibility needed for effective management of license compliance. Unlicensed users can be approached in total confidence, as there is robust and accurate information on all elements of the usage.

Armed with such indisputable evidence makes for a much more straightforward conversion from unlicensed user to paying customer. Especially when bearing in mind that the data uncovered will include those customers who, for whatever reason, were not even aware that they were in breach of license agreements.

This ultimately means that fewer resources, for the software vendor, are required per case as the data can be relied upon without the need for further verification from time-consuming manual checks or audits, which can also bring their own sensitivities in customer relationships.





2: INCREASED REVENUE

This then, critically, means increased revenue. Lost revenue can be potentially recouped through the data as well as generating significant new revenue opportunities through upselling and cross-selling of products that unlicensed users might not be aware of.

The business intelligence gathered will uncover the features and functionality being used the most, which of the features may be little-known or underused and where adoption issues might be able to be addressed.

Such insight brings additional service to the customer which, in turn, can contribute to improved revenue.



3: STRENGTHENED DATA FLOW

The third category is the strengthened data flow. Data is not being lost or disconnected. Software vendors will optimize their data capture at all times, across all products and versions, irrespective of whether the target application is running or not; the monitoring will be continuous.

Data outage will be at an absolute minimum as workarounds, barriers, and circumventing are overridden. All data from multiple sources—structured and unstructured, authorized use, and unauthorized—will continuously flow into the software vendor's data lake to be aggregated and analyzed.

The key is that vendors own this data outright and that there is no co-ownership of the data with the usage software providers, delivering complete visibility.



LOOKING TO THE LONGER TERM

As well as the immediate benefits, vendors can also take advantage of the longer-term implications of this improved way of tackling unlicensed use, which revolves around shaping their business strategies.

It goes without saying that any software vendor needs to know how customers are using their products. In a data-driven world, the optimized insights being gleaned through layering software usage and monitoring allows companies to have more intelligent conversations with customers and provide a higher level of service.

Through enhanced data flows, software vendors are easily able to discover which features and versions are being used the most and by whom. They can uncover the little-known features that are not being used enough or at all, and identify where there may be issues with adoption or support. Users of discontinued products can also be migrated to the updated software. In addition, trends can reveal if usage is increasing or decreasing and how patterns vary by industry and other factors.



Such insights shape business strategy and product roadmaps, improve monetization modeling, and enhance the competitive advantage, as well as focusing on customer service through what becomes predictive and preventative support.

They also provide valuable insight into the risks of non-compliance and can help protect the end user from the risk of illegal or unlicensed versions of software, specifically preventing malware attacks. As the saying goes—there are only two types of companies; those who have been hacked and know about it, and those who don't know about it.

The Software Alliance Global Software Survey states “CIOs report unlicensed software is increasingly risky and expensive. Malware from unlicensed software costs companies worldwide nearly \$359 billion a year.”³

MALWARE FROM UNLICENSED SOFTWARE
COSTS COMPANIES WORLDWIDE NEARLY

**\$359
BILLION
A YEAR**



**“AVOIDING DATA HACKS AND
OTHER SECURITY THREATS
FROM MALWARE IS THE
NUMBER ONE REASON FOR
ENSURING NETWORKS ARE
FULLY LICENSED.”⁴**



CONCLUSION

Understanding how software products are being used has never been more important, on so many levels and, as this white paper has shown, usage and analysis software has a critical role in this.

The business risk of any ongoing unlicensed, unpaid, or illegal use is too great and the potential attacks, that software vendors faces, are unlikely to ease, so a proactive approach is required.

Strengthening all the data acquisition technology companies have to the full capacity is critical, not only to optimize the data captured from monitoring unlicensed usage, but also to maximize the resulting benefits.

The opportunities to gain new customers and upsell or cross-sell to current accounts are myriad. The ability to uncover revenue leakage from unpaid use and recover the lost revenue, while also identifying new revenue generation streams, can be game changing for software vendors.

This is all underpinned by keeping the captured data flowing and enhancing that data flow with added layers. The benefits the new generation of products bring in terms of overcoming barriers and workarounds, controlling upgrades, and managing risks all greatly reduce the chances of experiencing usage and compliance data outages or disconnections.



Longer term, the valuable input into business strategy through product development, customer service and support, and monetization modeling all keep you ahead of your competitors.

The final issue is that of timing, which will understandably be on the mind of any decision maker when considering investing in software improvements. Unlicensed usage has the potential to be elevated and transformed into a value-driving aspect for a software company; the evolution of usage software then becomes a business imperative.

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ABOUT CYLYNT

The Cylynt (formerly SmartFlow Compliance Solutions) software monetization platform drives the license compliance programs for the world's leading software companies. By providing precise telemetry data that ensures users are properly licensed and authorized, Cylynt helps clients make informed decisions on the best way to correct licensing problems and protect customers from unfair competition. With a solution for every budget, the data collected by Cylynt's innovative technologies also provides business intelligence and sales information and organizes, analyzes, and interprets that data into meaningful market insights and quality lead generation. The Cylynt license compliance platform can improve productivity, reduce operational costs, and guard against downtime by preventing malware attacks and protecting brand names and reputations.

To learn more about how Cylynt solutions can help you in your anti-piracy and revenue generation efforts, call us at +1-424-278-9990 or email info@cylynt.com.

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