

SafeNet Builds on Strong Security Heritage to Establish Position in Software Rights Management

Firm extends licensing base into solutions for cloud-based applications to allow software publishers to unify and manage their licensing and entitlement from a single product set; Sentinel product line offers license enablement, enforcement, and management

AS SOFTWARE VIRTUALIZATION, MULTI-CORE processing, and cloud computing are being adopted by enterprise IT organizations striving to provide the quality of service their customers have come to expect, the software publishers whose products power these computing infrastructures have struggled to have their software license models keep pace.

Responsive software publishers need to offer their enterprise customers the flexibility of using the software that runs on their businesses where and when they need it, while at the same time helping customers understand how much it's costing them and helping publishers track appropriate license costs.

"Licensing models are becoming more complex with underlying technologies such as virtualization and multi-core processing in widespread use, and software publishers adding more usage options," says Amy Konary, research director for software pricing, licensing, and delivery for IDC in Framingham, Mass. "The increasing complexity makes it difficult to manually manage licenses."

Also, merger and acquisition activity can translate to a software publisher having multiple systems in place for tracking license use. "They have to try to rationalize that and get it into a single system of records so it is manageable," Konary says.

Healthy Growth Projected

The market for software rights management (SRM)—defined as governing software protection, licensing, and management products—has a few companies competing to gain visibility and market share. A recent forecast by IDC, which labels the market as software license lifecycle management (SLM), assessed total revenue from all players at \$2.1 billion in 2009, projected to increase to \$3.6 billion by 2014.

SafeNet has become one of the major players in the SRM market, building on its heritage in the security and software licensing space. Since its founding by two National Security Agency

engineers in 1983, the company built on its strong security roots organically in the 1980s and 1990s and experienced growth by acquisition in the following years. Acquired companies include Rainbow Technologies and Aladdin Knowledge Systems, which helped provide a product portfolio to position the company in the SRM market, where it remains strong today.

With recently announced products supporting cloud computing, SafeNet is seeking to further strengthen its position. "Our main message is that SafeNet offers software monetization solutions that include both licensing and customer management capabilities," says Chris Holland, vice president of SRM for SafeNet. "We are building on our heritage in the licensing space and extending that to solutions for cloud-based applications that can allow software publishers to unify and manage their licensing and entitlement through a single solution."

SafeNet is especially targeting software product suppliers with per-seat software pricing of approximately \$300, of a size not too big that they would manage software licensing and provisioning totally on their own, and not too small so as not to be in the market at all. Most software publishers on the Software 500 would fit SafeNet's target customer profile for SRM products.

The SRM market addresses challenges from the point of view of software publishers and end customers in IT and business management. The challenge for IT customers is to

Worldwide Software License Lifecycle Management Revenue by Activity, 2009 – 2014 (\$ M)

	2009	2010	2011	2012	2013	2014	2009–2014 CAGR (%)
Delivery and installation	675.1	760.5	857.0	901.5	987.7	1,092.1	10.1
Management and control	1,472.0	1,643.6	1,876.5	2,088.9	2,277.6	2,509.3	11.3
Total	2,147.1	2,404.1	2,733.5	2,990.4	3,265.2	3,601.4	10.9

Source: IDC, 2010

stay sane and compliant; the challenge for software publishers is to find new ways to penetrate existing accounts while extending offerings to new segments and markets. Flexible licensing and distribution models can increase the value of the publisher's software, turn trial users into paying customers, and give customers the options of purchasing those features of the product that they need.

The Sentinel product line from SafeNet aims to address this opportunity with a range of products for license enablement, enforcement, and management. The products allow customers to address anti-piracy, IP protection, license enablement, and license management challenges while keeping an eye on profitability.

The product family includes: Sentinel HASP, via the Aladdin Knowledge System acquisition in 2009, which offers license enforcement for hardware- or software-based keys; Sentinel RMS for enterprise software licensing for companies seeking flexibility in how applications are deployed and used; Sentinel EMS, an entitlement management solution providing a centralized license management interface with advanced data collection and reporting for installed, embedded, or cloud applications; and finally, newly released in February 2011, Sentinel Cloud Services, for publishers offering products via the software-as-a-service (SaaS) pricing model.

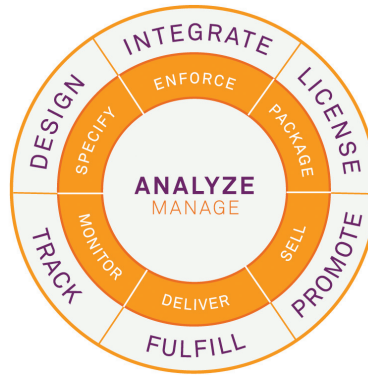
Sentinel Cloud offers publishers the abilities to authorize user access at the feature level, measure service usage for billing and business intelligence purposes, and adapt the service catalog to embrace new market opportunities. The product went into beta in September 2010, and the experience has been positive.

Managing, Provisioning via the Cloud

"Our thrust in 2011 is software as a service, to bring the same value proposition to those publishers as we have been to publishers of on-premise software products," says SafeNet VP Holland. "We help SaaS publishers making the transition from on-premise software to cloud-based software with the tools needed to manage licenses, to deploy those rights to the end users, and provision those rights through SaaS-based applications. So the publishers do not have to build those tools and technologies themselves."

The primary driver for the SRM market may not be concern about money lost to software piracy, but rather manageability for companies that want to stay compliant with software licensing while providing users the flexibility they need. "Most

Aligning the Product Lifecycle to the Licensing Lifecycle



software company customers do not want to be out of compliance with their licensing, but unless the publisher has some tools in place to help the customers stay compliant, those things can quickly get out of sync," Holland says. "And there is always the specter of the audit out there, so this technology eliminates that problem and is an opportunity for the publisher and the customer to see how much the product is being used."

SafeNet's experience has shown that publishers implementing the SRM tools see a 10 percent to 20 percent increase in revenue as a result.

"We think in most cases, publishers prefer an automated way of honestly understanding their licenses and making the appropriate exchanges with the customers for the use of their products," Holland says.

SafeNet offers per-seat and subscription pricing models to customers, with \$30 per seat an average.

SafeNet On Board in Early Stage Market

As to the overall market for SRM, Holland estimates possibly 10 percent of the market is penetrated, but that includes products of the biggest players, such as Microsoft and Oracle, which offer their own license management approaches. "We are the largest single vendor" in the SRM space, with more than a 50 percent share, Holland says. The company has 8,000 active customers around the world.

IDC's Konary agrees that the SRM market is early stage with a lot of life left. "It's not very well penetrated. You have a lot of homegrown and honor system technology out there. It's not unusual for me to talk to a large software publisher who knows they need SRM functionality and often have no idea what they even have in place to manage these issues."

Software publishing segments more penetrated with rights management include engineering, where typically many concurrent users need to be managed and the license costs are high.

Virtualization poses its own set of challenges for software publishers. Approaches can vary from a licensed machine allowing an unlimited number of virtual partitions, to a limit on the number of partitions allowed per physical machine, which requires some kind of counting or tracking. If the older license model restricted movement of the software from machine to machine, that presents a challenge more difficult to address.

SafeNet filed for an initial public offering in 2010 with the intention of going public sometime in 2011, Holland says. ■

For more information, go to: www.safenet-inc.com.