Tech Notes

Taking the Sting Out of Software Licensing

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When it comes to software licensing, often there are two competing requirements – flexibility and manageability - that confront both software vendors and their customers. These two aspects of licensing tend to be directly related – meaning the greater the flexibility, the harder it can be to manage. The more restrictive the license, the easier it tends to be to manage. Moreover, the amount or level of flexibility also tends to influence the license price. Simply put, increased flexibility in terms of usage tends to have a price tag associated with it. A worthwhile, justifiable cost in most cases, but a cost nonetheless. Of course, there are always extreme examples which contradict this such as open source licensing which is extremely flexible in most cases, but usually free when it comes end user usage. Or, academic licenses or enterprise site licenses which again tend to be very flexible, however the per unit license cost may be relatively small.

On one hand customers want the greatest amount of flexibility in how they use a product. Usually this means they want to use the product anywhere, anytime, on any machine, by anyone. In extreme cases they might even want to run the software on machines they don't own and by someone who isn't a direct employee. Another aspect of flexibility which is sometimes overlooked is how the licensing of a product relates to the price. The issue is that not all products deliver value based on the same metric, and hence the licensing can be significantly different and by extension the amount of flexibility you have as a user can vary greatly. Sometimes derived value is based on the number of CPUs (don't even ask about cores vs. sockets), the number of actual machines the software is installed on, the number of users who can access it either concurrently or as individual users, or on a metered (pay as you go) model. And then of course you have to consider if it's a perpetual license, a term license, or a subscription which again is a factor in just how much flexibility you'll have with t he product.

On the other hand, customers want or in some cases, commonly driven by compliance requirements, need to have a high level of manageability of their licenses. Specifically they need to control, audit, and report on license usage. They want to know who is using the product and when they're using it. In some cases they may even want more detailed information such as where (e.g. on what machine) it's being used, for how long, etc. They may need to control who has access to the product, or specifically who is allowed to acquire a license to use the product, during what period of time (e.g. 9am PT – 5pm PT) they can use the product, how long does the license remain associated with a user when the product isn't actively being used (sometimes called a *linger* factor). They may also want to reserve a license for a specific user in order to guarantee access when needed.

Here are some tips for minimizing license cost, easing the pain of license management, while at the same time achieving the highest level of flexibility for your users and organization:

1. Be cognizant of the fact that the license for a product usually involves both a technical component and some form of usage agreement or "paper license".   While the software may include or work with a license server, license management system, or have embedded in it some way to control or enforce usage, it probably does not cover all of the terms of usage spelled out in the user agreement. That, however, doesn't mean the user is any less bound to these terms. Be sure to read and understand the product's license agreement, sometime called an End User License Agreement (EULA), Software License Agreement (SLA) or Right To Use (RTU). Knowing and understanding the usage terms before you start using a product can save you time and money later in the event you or your company is subject to an audit.

2. Where feasible, consider consolidating standalone products from multiple vendors into an offering from a single vendor that includes multiple products under one license, a suite if you will, that meets the needs of multiple users and roles in your organization. Reducing the number of vendors and licenses you have to manage will save you significant time and administration costs – two of the leading "soft costs" of software.

3. Look for products that work with one of the more commonly used license management systems. By doing this it will allow you to centralize the license management, even if you have multiple products each with a different license scheme or policy, thereby saving the time and cost of having to learn and maintain multiple license management systems.

4. If a vendor offers their own license management system, be sure to ask about the tools they provide to manage, audit, control, and report on license usage. Without these tools, you may end up investing significant time and resources on manual efforts to manage, audit and report on these licenses.

5. In order to achieve the balance of flexibility, manageability and license cost that meets your requirements, look for products or product suites that can be licensed under different models, and are priced accordingly. In some cases you may want to have a dedicated license locked to a particular user or machine, and in some cases you may want to share a license between multiple users on your network. Having a licensing policy and a centralized license management system that can accommodate such scenarios can help you achieve this balance that's right for your organization.

6. When considering the cost of license and license management, be sure to look at all of the costs, not just the hard costs. There are a lot of soft costs associated with licenses management such as training of IT staff to maintain multiple license systems, lost opportunity costs if users don't have access to products and tools when and where they need them, potential legal costs in the event of license violations even if unintentional, unexpected true-up costs due to poor or nonexistent license management and control, and so on.

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