

Licensing Practices in IT Management

A Primer

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INTRODUCTION TO SOFTWARE LICENSING

Licensing is an integral part of the software business as vendors typically sell customers the right to use their technology, while the intellectual property continues to remain vested with the vendor. The goal is to develop a balanced approach where the software vendor can maximize economic gain, while delivering equivalent value to the customer at the price point offered. And while doing this, the vendor, needs to ensure that they stay ahead of their competition in the overall price to value equation.

In order to accomplish this – vendors need to be creative about how they license their software. If the licensing is too complex it gets harder for customers to make the connection between value and cost. If it's too simple – either customers or the vendor gain a disproportionate share of the value – depending on how the terms are structured. Too much one way or the other and one party suffers. As a result, a number of different practices and licensing models have been developed and refined by the software industry.

TYPES OF LICENSING

Perpetual licensing models typically include a one-time fixed cost to acquire a base product and then additional pricing for higher levels of usage – or what can be termed as the 'scale factor'. Often the scale factor is already worked into the cost of the base product through tiered pricing – allowing its use up to a certain number of licensing units. In this model annual maintenance charges pay for the cost of technical support and also provide access to new version releases without additional license payments.

On the other hand, *Subscription licensing models* are term limited and mostly driven by the scale factor – though there may be an associated upfront cost in the first period of subscription in some instances. Cost of technical support is typically included in the monthly or annual subscription cost.

LICENSING OF IT MANAGEMENT SOFTWARE

Licensing in IT management follows the same general principles and adds a few more layers of complexity. This is because IT management involves diverse network equipment, systems and end user applications requiring different scale metrics. Vendors need to choose the right scale metrics to create a win-win situation for the customer and the vendor; customers who use the software over a wider footprint of their infrastructure are fine with paying higher costs for the increased value they receive.

However, this win-win equation breaks down when vendors tilt the scale equation to their advantage. And this happens more often than not and the customer loses out.

COMMON LICENSING PRACTICES IN IT MANAGEMENT SOFTWARE

Before we delve into a specific case of competitive vendors promoting distinctly different licensing philosophies in the IT management industry, let us first look at some common licensing practices.

One price, unlimited use: This is the simplest form of licensing that charges one base price regardless of the volume of use. This model is prevalent in the low end of the price spectrum as it does not sufficiently support the economics in situations beyond a few licensing units.

Tiered price, scales by device: The next evolution in the licensing model is still simple and yet provides a good balance of economic gain and value to the vendor and the customer respectively – a perfect situation of win-win. Here the pricing is tiered, and each tier supports a bulk number of devices. Customers can easily understand and project what their cost will be.

Tiered price, scales by sub-components: At the next level, while pricing is still tiered, the scale factor becomes more complex and is based on sub-components of devices. For example some vendors designate each separate monitor deployed as a licensing unit; while others count the number of elements or sub-components (e.g. interfaces or ports) monitored. In this model, the cost of the software scales rapidly as the density of monitoring goes up, cost projections are much harder to make and the link between price and value becomes tenuous.

Instance based licensing: If multiple copies of a management application are run, each separate instance is charged at a negotiated rate for the base product.

Node-locked licensing: Many software vendors tie the licensing to the server on which the software is running. In such situations redeploying the software from one machine to another even in the same office or datacenter becomes difficult.

Business unit based licensing: Often the use of the software is restricted to a business unit within an organization. Other business units need to purchase separate copies of the software at additional cost.

User based licensing: As management systems become more complex, software vendors start to incorporate multiple scale factors. In addition to volume based price tiers they also charge a license fee for the number of administrator or end user seats that the customer intends to use.

Fixed vs. floating user license: With fixed licensing – only an exact number of active user accounts can be created in the system. With floating licenses – only the licensed number of users can work simultaneously on the system – though a higher than licensed number of individual user accounts can be created.

COMPARING LICENSING FOR NETWORK MANAGEMENT WHATSUP GOLD VS. SOLARWINDS VS. BIG 4 NSM TOOLS

The following table provides a comparison of the variations in licensing for a representative subset of network management software providers – WhatsUp Gold, SolarWinds, and the Big 4 (IBM, HP, CA, BMC) platforms.

License unit description	WhatsUp Gold Premium	Solarwinds Orion	Big 4 NSM Platforms
Simple, tiered pricing on a per device basis only	Yes	No	No
More complex, tiered pricing on a per sub-component basis	No	Yes	Yes
Additional licensing based on number of admin and 'view-only' end users	No	No	Yes

The simplicity of WhatsUp Gold's licensing – which is based on the number of network devices or servers is an excellent example of a win-win model. Customers pay for higher licensing tiers as they cover more devices and their infrastructure grows larger. And they face no restrictions or additional costs when they need to increase the level of monitoring for a particular network device or server.

Solarwinds Orion's and the Big 4 NSM's sub-component based licensing is much more complex and scales much faster with increased monitoring density on a network device or on a server. Sub-component based licensing means that each monitored interface, port, or hosted application instance – whether physical or logical is counted. Customers thus have to be aware of the total number of monitors in order to remain compliant with license terms. In the dynamic and virtualized environments of today – this becomes even more difficult to track and manage.

Big 4 NSM tools also levy additional charges based on the number of users who use their system. While this is a common practice in scaled enterprise organizations – small and mid size firms much prefer to not add on this complexity.

CONCLUSION

License administration and compliance has its own costs and risks – and the vendors that meet product requirements and also make their customers' lives simpler – are more likely to win in the marketplace. Customers need to be aware on their part about the available licensing options and look to maximize the return on their investment in IT management software.

ABOUT IPSWITCH NETWORK MANAGEMENT

Ipswitch™ WhatsUp® Gold is a network management solution that reliably manages over 100,000 networks worldwide. Built on a scalable architecture offering automated device discovery and network mapping, real-time network monitoring (including SNMP monitoring and WMI monitoring), and versatile alerting, notification, and reporting functionality, WhatsUp Gold delivers 360° visibility, actionable intelligence, and complete control. WhatsUp Gold is available in four distinct product editions: WhatsUp Gold Premium Edition, WhatsUp Gold Distributed Edition, WhatsUp Gold Standard Edition, and WhatsUp Gold MSP Edition. For more information, visit www.whatsupgold.com.

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