Thriving in a Global Recession:

*7 Practical Strategies for Software Publishers*
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Executive Summary

Today’s software publishers are facing the most difficult business climate in decades. To survive this crunch, most publishers are tightening budgets and operations with an eye toward achieving efficiencies wherever possible. They’re also providing the highest level of service and support in an effort to maintain, and perhaps increase, customer loyalty. But is it also possible to accelerate business growth during these turbulent economic times? This paper presents 7 practical strategies for growing your software company. These strategies have proven themselves in good times—and can be even more important in maintaining and growing your business during tough times.

The World Economy


It is official, according to World Bank1, a pronounced recession began in mid-2008 in Europe, Japan, and the United States. This recession has extended into 2009 and overall, global GDP is projected to expand only 0.9 percent in 2009 which is below the rate recorded in 2001 and 1991 and indeed, the weakest since records became available beginning in 1970. Major technology industry research firms are slashing their original IT spending forecasts. Gartner2 recently reduced its outlook for growth in spending on information technology in 2009 from 5.8 percent to 2.3 percent. And Forrester3 expects IT spending to decline by 3 percent in 2009.

The Effects of a Global Recession on Software Publishers and Their End-User Customers

While at first, the technology market was not affected by the downturn, it’s now clear that technology is not immune. And though the software industry is not being hit as hard as some areas of the technology sector, we’re all starting to feel the crunch.

Short-term results matter more. Credit is tight and everyone has to do more with less—including your end-user customers. Sales cycles are longer because their projects have been put on hold and their purchasing budgets have been cut. Let’s face it, businesses are hunkering down and waiting for signs of an economic recovery. It could be a while before the industry is back to “business as usual.”

To maintain your competitive edge, now is the time to make it even easier for your customers to buy while at the same time, reducing your own costs and looking for new and creative avenues to revenue.

7 Practical Strategies for Software Publishers

In the face of economic adversity, it is essential that you evaluate every expense and every process in your business. If you build a cost-effective business foundation now, you will not
only increase your odds of survival, but also your ability to emerge stronger in the inevitable upturn.

Following are proven strategies software publishers can begin employing today that focus on maintaining & growing software revenues while at the same time, reducing operational costs.

**Strategy #1: Evaluate your software anti-piracy strategy**

There is no question, software piracy is a global epidemic. According to IDC⁴, in the latest Software Piracy Study released by the Business Software Alliance (BSA), the software piracy rate in 2008 increased by another three percent to 41 percent worldwide, and resulted in global losses of $53 billion.

And these figures are likely to increase in a recession as indicated in recent studies:
- A FAST (Federation Against Software Theft) survey⁵ conducted at the start of the downturn queried company directors and found that 79 percent believed that businesses would be more likely to try to save costs by not securing appropriate software licenses. More recently in a two-month global poll⁶, Aladdin asked technology users and software publishers if they felt an economic downturn would ultimately result in greater instances of software piracy and illegal use. 73 percent said they believed software piracy and illegal use would increase. These statistics indicate that when budgets are cut, sometimes corners are cut too.

A well planned and executed strategy to fight piracy and illegal software use is a key business practice in a strong market, and it becomes even more critical with the difficult economic environment we face today.

Software piracy comes in a variety of forms, including but not limited to:
- Illegal copying and sharing or sale of software
- Intentional and/or inadvertent software license violations due to overuse of legally-licensed software
- Internet downloads from peer-to-peer and warez sites

There are two main methods that software publishers employ in order to counter piracy and illegal use:

**Reactive Measures**

Many software publishers do nothing to secure their software from illegal use. They rely on software license agreements and copyright law to protect their software and its use. However, these control mechanisms do not prevent a user from inadvertently or intentionally copying the software and distributing it. If a publisher believes their software has been pirated or used illegally, the power of reactive methods is in the legal remedies available to software publishers against software pirates.

Watchdog groups like FAST, the Software Information Industry Association (SIIA) and the BSA are doing their part to educate users and drive legislation that protects software publishers. They will even investigate, prosecute and litigate cases of reported software piracy.
Legal action does have value, but can be very costly and cannot be relied upon to prevent the problem.

**Proactive Measures**

There are numerous technology-based preventative measures that software publishers take to combat piracy and illegal use.

Some publishers start by employing more secure code-writing practices.
Some publishers write their own protection & licensing code.
Many publishers trust the expertise and strong security found in commercially-available software protection and licensing solutions to fight piracy and illegal use.

Publishers who rely on their development staff to write homegrown protection and licensing code usually have limited security expertise, limited resources to maintain the security code and stay ahead of hackers, and limited results.

The most powerful commercial solutions employ software- and hardware-based licensing and locking. Software protection keys and hardware (USB) keys each have their own distinct advantages and should be considered depending on the specific goals and needs of the software publisher and the needs of their customers. For example, if the publisher delivers their software via the Internet, then software-based protection and product activation is generally the best method to implement. If the end-user customer requires easy access to the protected application with portability between computers, then it is likely that they will select hardware-based protection.

There are a number of additional issues that need to be considered when selecting the type of proactive software protection and licensing to use, including the level of security required, distribution methods, portability, software price, and more. Technology-based protection is a proven method for helping you grow your sales.
Strategy #2: Protect your valuable intellectual property (IP) from reverse-engineering and theft

During challenging economic times, competitive pressures naturally increase as companies become more aggressive in trying to win business. In these times more than ever, it is essential for you to solidify your competitive advantage. Software publishers invest a significant amount of resources in research and development of their products, writing code and creating intellectual property that serves as a key advantage over competing software. As competition increases, it is important to protect that advantage by implementing methods to secure your products from reverse engineering which could lead to theft of valuable IP and trade secrets. If you secure their trade secrets and source code from prying eyes you can gain market share by maintaining and continuing to grow your competitive advantage.

A commercial solution featuring automatic file wrapping technology provides powerful intellectual property protection against software reverse engineering through file encryption, code obfuscation and system-level anti-debugging—ensuring that algorithms, trade secrets, and professional know-how embedded in the software are secured against hackers.

Strategy #3: Evaluate and update your business models

In today’s dynamic market where customer buying preferences are changing it is essential to re-evaluate and adjust your licensing models to fit customer buying preferences and market dynamics. Recent trends indicate that pricing and software licensing policies are being made increasingly more flexible in order to lower the cost of entry, improve vendor-customer relationships and grow revenue.

According to IDC, SaaS adoption is forecasted to grow by 40.5 percent in 2009, up from their original forecast of 32.5 percent. Much of this growth can be attributed to current economic conditions. End-users are looking to SaaS / On-Demand software solutions because they offer a lower cost-of-entry. Traditional packaged software vendors can also compete for those customers that require a lower cost-of-entry by offering subscription, rental, or pay-per-use variations of their software products. Adapting these licensing models gives you the means to compete with pricing and business models offered by SaaS vendors.

An additional way to help your end-users cut costs is by offering floating, volume, or feature-based licensing.

Strategy #4: Differentiate and re-package your products for new markets and segments

Another way to grow your business is by re-packaging your software to meet the needs of different market segments. When you divide your existing and target customers into groups that have similar product needs, you can tailor your offering to meet the needs of each of these segments. For example, a software publisher that sells to consumers, small business,
and large enterprises, can re-package their products to offer Basic, Pro, and Enterprise versions with different features and pricing models for each of these segments. This strategy can help you significantly expand your market reach and drive growth.

Strategy #5: Reduce your operating expenses and time-to-market

In today’s difficult market, software publishers face the challenge of both growing sales and cutting expenses at the same time. By aligning your software protection and licensing implementation with your software product lifecycle, you are able to gain operational and development efficiencies. You can reduce cost and time-to-market by empowering R&D, Product Management, Marketing, Operations, MIS, and Sales, with the relevant tools to manage each stage of the software product lifecycle which will ultimately lead to greater sales and profitability. If a commercial solution is implemented to manage on-the-fly software licensing, the costs for internal license development are reduced and you will realize even greater savings.

Strategy #6: Increase product marketing flexibility & actively market your products and services.

In a down economy, it is often a company’s first instinct to reduce the product marketing budget in order to reduce expenses. However, this often makes it even more difficult to drive new business. Innovative companies have found new and flexible ways to cost-effectively market their products despite budget restrictions. There are a number of low-cost ways to continually and opportunistically market your products to your customer base and prospects:

- Package, protect, and price your software with a wide range of product activation and protection options.
- Provide prospects with secure trialware (try-before-you-buy) versions via the Internet
- Enable customers to share secure trialware versions with others to promote viral marketing of your products
- Actively market to maximize trial conversion rates and turn those “over-using” your product into paying customers.
- Actively market for subscription or time-based license renewals
- Actively cross-sell or up-sell existing customers

This is just an example of some of the many methods that are being employed by software publishers today to aggressively market their products and drive additional business growth.

Strategy #7: Maximize sales performance & provide the highest level of service and support

If you integrate licensing with your back-end systems, you can significantly assist sales by providing critical information to help them effectively sell and service customers. Integrating
your software license system with your CRM and ERP systems provides for better customer service, quicker order fulfillment and enables the up-selling process. You can sell and enable new features instantly, and use business intelligence reporting on customer usage data to drive new sales, and license renewals. Software publishers that have these systems in place right now are providing the highest level of service and support, increasing customer loyalty, growing sales and cutting costs simultaneously.

**Conclusion**

While the current economy may present a threat to some software businesses, many are taking a step back to evaluate their business practices.

Using these seven strategies to guide an evaluation of your own internal business models, decisions and processes will inspire thought and ensure you’re asking the right questions. Are we missing out on software revenues? Can we say with confidence that our software is secure and not being used illegally – that we’re really get paid for every copy in use? Do we have the ability to expand our business models with swift agility, in the face of dynamic markets, customer requirements and competitive threats? Are we sure our source code and trade secrets are protected against reverse-engineering and theft by hungry competitors? Are our software trials secure and easy to pass along? Are they quick and easy to securely activate once the prospect buys?

A field-proven software protection and licensing solution is an effective means of preserving copyright, combating piracy and thwarting competitive espionage. What many do not realize is that it can also be a forward-thinking profit strategy to increase sales, reduce costs, boost competitive advantage, enhance market reach and ensure your ability to emerge stronger in the inevitable upturn.

**Schedule a 30-Minute Biz-Booster Consultation**

As a software publisher, you’ll have the opportunity to schedule a free business-boosting consultation with a SafeNet representative. This 30-minute meeting will cover the following:

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<th>Topic</th>
<th>Time</th>
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<td>Grow your business: using SafeNet software protection &amp; licensing</td>
<td>10 minutes</td>
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<tr>
<td>Drive down operation costs: using role-based tools that align with the software product lifecycle</td>
<td>10 minutes</td>
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<tr>
<td>Tap into SafeNet expertise: to market and differentiate your software products</td>
<td>10 minutes</td>
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<td><strong>TOTAL</strong></td>
<td><strong>30 minutes</strong></td>
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About Sentinel Software Protection & Licensing Solutions
SafeNet has more than 25 years of experience in building innovative solutions to address the evolving requirements of the software industry. The company's robust portfolio of solutions are designed to meet the unique licensing, piracy, and management requirements of any organization regardless of size, distribution model, or operational process. Our solutions range from very flexible licensing implementations for managing large concurrent network applications to highly secure options for enforcing the rights delivered by a license or the protection of the IP within an application to prevent piracy. In addition to providing a complete set of tools to protect and license your software, SafeNet offers a variety of management solutions for simplifying the fulfillment process and improving the end-user experience.

To schedule a 30-minute Biz-Booster consultation:  
www.Safenet-inc.com/Bizbooster

To view a HASP SRM demo, visit:  
www.Aladdin.com/HASP-SRM-Demo

To download a FREE HASP SRM Developer Kit, visit:  
www.Aladdin.com/HASPsrmDK

1. World Bank Prospects for the Global Economy:  
http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/EXTTBLPROSPECTS/0,...
4. IDC research on software piracy (for the Sixth Annual BSA and IDC Global Software Piracy Study): http://global.bsa.org/globalpiracy2008/index.html
5. FAST (Federation Against Software Theft) survey: http://www.fastiis.org/resources/Publications/Literature/
7. IDC SaaS adoption forecast: http://www.idc.com/getdoc.jsp?containerId=prUS216414097