Customer Driven Value

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Polling Question
Top Cloud Drivers

Driving an increase in cloud adoption

Business-related drivers

1. Improve IT productivity/redeploy personnel
2. Improve resource utilization
3. Reduce total IT budget
4. Improve business agility
5. Simplify/standardize IT
6. Improve time to market
7. Expand into new markets
8. Give biz units more IT control
9. Support biz/marketing efforts
10. Shift IT finance to OPEX
11. Faster access to functionality

[Q8] Of the following potential reasons for moving to Cloud, which are considered IMPORTANT DRIVERS that you expect to achieve when moving to Cloud?

Source: IDC CloudView, January, 2016, n=6159 worldwide respondents; weighted by GDP and company size

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IT Budget Distribution

Large shift in IT spend to provider site clouds over next 2 years

Today

Provider Site: 43.4%

- Traditional: 21.4%
- Outsourced: 21.4%

Public Cloud: 10.5%
- On-demand: 5.5%
- Dedicated: 6.1%

Noncloud: 70.2%

Cloud: 29.8% (Public + Private)

In 24 Months

Provider Site: 48.4%

- Traditional: 43.4%
- Outsourced: 56.6%

Noncloud: 57.0%

Cloud: 43.0% (44.2% growth)

- Public cloud, including on-demand hosted private cloud
- Private cloud, including enterprise private cloud and dedicated hosted private cloud
- Traditional, noncloud IT spending

Source: IDC CloudView, January, 2016, n=11350 worldwide respondents; weighted by GDP and company size
TRANSFORMATION DRIVEN CHANGE

THREE NUTS & BOLTS ISSUES THAT ARE TIGHTLY ENTWINED

<table>
<thead>
<tr>
<th>OFFERING MODELS</th>
<th>PRICING MODELS</th>
<th>LICENSING TECHNOLOGY</th>
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<tbody>
<tr>
<td>It is easy to describe a software license/business model in a few sentences</td>
<td>Having multiple models requires attention to pricing coherency</td>
<td>Licensing technology becomes a central aspect of both monetization and customer experience</td>
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<td>It requires a great deal more work for each function to understand what it means to them</td>
<td>No longer being able to evaluate deals based on “gross margin” requires rethinking deal processes, discount governance, etc.</td>
<td>Driving a win-win balance between the two has many nuances and intricacies, but is absolutely crucial</td>
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<td>Developing detailed policies is part of that process</td>
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THE LONGER TERM JOURNEY

BUSINESS MODEL STRATEGY: ACTIVITIES, CAPABILITIES, RESOURCES, SYSTEMS, PROCESSES, ORGANIZATION, PARTNERSHIPS,…

- Transformation touches everything: culture, P&L, systems, processes, selling, marketing, and every aspect of doing business
- Developing a new muscle while not diminishing the old muscle takes material discussion, alignment, and change management
Summary

- **Product companies have a unique set of challenges**
  - Monetizing software products that may not have been “valued” like this in the past
  - Existing set of expectations around the value of software
  - Systems and processes not optimized for software monetization

- **Increasing your focus on software monetization can result in numerous opportunities**
  - Competitive advantage
  - Operational advantages
  - New market opportunities
  - New ways to derive value from products and services
  - Transform your business around the customer experience

- **Business model transformation is multi-faceted:**
  - Involves almost every aspect of your business and takes time
  - Success requires a focus on people, process, and technology