

D7.4

Preliminary Exploitation Plan

Version 1.0

WP 7 Dissemination and Exploitation Dissemination Level: Confidential

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17 February 2010

Status: Final

Seventh Framework Programme of the
European Community



Information Society

Proposal/Contract no.: 216759

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Abbreviations

API	Application Interface
ASP	Application Service Provider
CPU	Central Processing Unit
ISV	Independent Software Vendor
IT	Information Technologies
LAN	Local Area Network
ROI	Return On Investment
SaaS	Software as a service
SmartLM	Grid-friendly software licensing for location independent application execution
SME	Small and Medium Enterprise
SOA	Service Oriented Architecture
SWOT	Strengths, Weaknesses, Opportunities, Threats
SP	Service Provider
WP	Work Package
MEUR	Millions of Euros
CAGR	Compound Annual Growth Rate
USP	Unique Selling Point

1. Executive Summary

The purpose of this deliverable is to provide the preliminary SmartLM exploitation plan. Taking into consideration the recommendations of the last review, a comprehensive series of actions have been followed in order to maximise the exploitation potential of the project a completed exploitation plan has been executed. This deliverable is the result of many discussions during which a number of key decisions have been made within the entire consortium regarding the future exploitation of the project results.

First of all we analysed the market size. Pierre Audoin consultants sized the European Software industry in 2008 at more than 100 billion Euros and expect it to grow at a 4% CAGR¹ until 2012. In terms of software revenue models, the traditional revenue model will remain stable, in absolute terms, showing lower growth with only 2% CAGR until 2012 whilst the paid web-based model is expected to grow up to 23% CAGAR until 2012. Other analysts have placed higher expectations on this market. For instance, according to The 451 Group, the cloud market will grow at a CAGR of 68% to reach 2.9billions € in 2013. Regardless of which exact set of figures one chooses to accept, this is a market in strong expansion and there is a great opportunity to SmartLM.

We analysed the elasticLM marketing Mix: product, price, place and promotion. We have decided elasticLM as the commercial name for the future SmartLM product. elasticLM aims at rendering mechanisms for managing and using software licenses in a more fair and flexible way. The packaging consists in 3 components: License service, Accounting and billing service and Application interface, all available for download from the website. In order to accommodate our product to the client's needs, we will produce three different options to acquire elasticLM:

- Basic - no accounting and billing, no re-negotiation → for small companies, for first evaluation.
- Extended - includes accounting and billing, no renegotiation → for companies where accounting and billing is important, for productive use.
- Full - for productive use, includes accounting and billing and re-negotiation

In addition to elasticLM product, we identify some additional services that could be interesting for our customers: We can provide trained personnel to implement the solution, helping companies to integrate elasticLM into their products and business consultants with experience in SaaS and knowledge of our product to enable companies to make the most of elasticLM or even design new business models for ISV companies.

elasticLM components are not open source as this would make attacks against the elasticLM security mechanisms easier and our customers, the ISVs, could suffer from cracked license mechanisms. The project has a social impact since offer new and affordable license model for start-ups, entrepreneurs and SMEs. They will reduce large investments increasing the competitive position of European companies. It enables the SaaS model, creating new business opportunities for ISV, ASP and end user. In addition, we will release some components open source beneficially to the community.

¹ Compound annual growth rate is a business and investing specific term for the geometric mean growth rate on an annualized basis.

A penetration pricing strategy will be used to the initial stages of entering to the market. We should set a relatively low price to attract early adopters and whilst gaining experience ourselves. This will help us to introduce a new product and to start building customer loyalty and appreciation for it. elasticLM pricing will be based on an initial price consisting of the 1% of the company revenue of the software that include elasticLM. From the second year onwards only the maintenance has to be paid, with a fee of 20% of elasticLM cost. The additional services will be paid in a flat rate.

The distribution of the product will be through direct selling from the future owners of elasticLM. The final software solution and manuals can be downloaded securely from the website. Firstly we target Europe, and a next step could be to expand to other regions. Project partners could act as resellers by receiving their commission, and afterwards we will have external resellers.

Our marketing goals in the first year are: creation of brand, launch a new product and positioning of new product. To do so we will use promotional tools and tactics as the elasticLM website, press release, trade shows, print advertising and other marketing collateral. For the initial launch the promotional budget will be the 20% of the investment made for the further development of the commercial product. In subsequent years the promotional budget will be the 5% of the revenues forecast.

In terms of financials the costs and expected revenues have been calculated in detail. There is needed an important initial investment to commercialize the SmartLM prototype into a product and yearly costs associated to the correct performance of the product. Revenue forecasts have been produced according to the initial interest received from some potential customers and the market size. As the market may be unpredictable, three different scenarios have been explored to forecast the revenues under different conditions. These are: the expected, the pessimistic and the optimistic scenario. We expect to achieve the break-even point in the middle of 2013, in the pessimistic scenario this will not happen until 2015 and in the optimistic scenario, it will occur in 2012.

The consortium has realized the business impact elasticLM can have in the market and we have identified the need to develop an exploitation agreement. The objective of it is to formalise the modalities and the conditions that will govern the commercial exploitation of the project results after the end of the project. The development of an exploitation agreement is complex, but we have created a roadmap and we have been progressing in the right direction. After several discussions, we have a SmartLM prototype ownership map between all the partners. According to their contribution to the development of the prototype each partner has assigned a percentage of ownership. We have decided that the partners of the consortium are going to exploit the results itself and we will not create a spin-off or start-up for this purpose. We have identified the roles that may appear after the end of the project, describing each role with rights and obligations enclosed in each role: future elasticLM owner, internal use and research, integrator, re-seller and other options. Partners freely decide which role they are willing to participate. Three partners are willing to be future owners of elasticLM. All have described their decision jointly with their exploitation interest in their preliminary individual exploitation plan.