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# *Making the* COMMERCIAL CASE *for CodeMeter*

By Thomas Oberle, Member of the Management Board, WIBU-SYSTEMS AG

**Data in Wibu-Systems' new white paper shows the financial potential of their flagship protection and licensing technology**

"Make or buy?" It is the short form of a question that every business will have to ask themselves, again and again. It is a question even our stone age forebears must have asked themselves: Should I spend precious daylight hours that I could be out hunting or flint-knapping to make myself a new arrowhead? Or should I instead trade that shank of meat from the aurochs that I caught yesterday for arrowheads?

In today's hyper-integrated and hyper-complex economy, the question is not as simple as that. From industrial tools to software, businesses can either invest skill, IP, and manpower to "make" them – that is, invent, design, and produce them – or they can invest financial assets to "buy" them. But just like their paleolithic ancestors, today's managers need some solid data to calculate and make their decisions.

## Dealing in hypotheticals

One case in hand for software and hardware businesses is protection and licensing technology. No savvy IT manager would suggest trying to do without them. But should precious developer time be spent on creating their own system or patching together something from open-source pools, or should a third-party system be bought? The already complex calculation is made even more difficult by the potential reach of the technology: It is not just a simple question of money spent versus money earned, but a question of dealing in hypotheticals. An effective protection system wards off potential losses to piracy, sabotage, or IP theft, while a smart licensing system can be far more than an add-on bit of security for the regular sales process. It can open up new distribution channels, give access to new user groups, or even empower companies to create all-new business models. On top of actually realized revenue, the calculation becomes even more complex when you factor in the commercial potential left dormant without a licensing system or with an ineffective licensing system.

Wibu-Systems, the IT security, protection, and licensing specialists from Karlsruhe, Germany, is the company behind one of the leading technologies in the market: CodeMeter. With more than three decades of experience invested, CodeMeter has evolved from a powerful, but mission-specific protection and licensing system into a true business enabler. In addition to the award-winning and as yet unbroken encryption technology, the licensing capabilities of CodeMeter have evolved to accommodate virtually any software distribution and usage scenario possible, from the original one-off purchase to modern subscription, leasing, or software-as-a-service formats. A range of license containers, from tough hardware dongles with added protection capabilities to software-only or cloud license containers, is available. Different development and hosting services complete the package for software vendors looking to protect their IP, tap into new sales channels, or completely reinvent how they generate revenue with their software. But even if CodeMeter is worth the money in technological terms, is it a good investment from an accountant's calculated and not easily impressed perspective?

## A buyer's guide

Wibu-Systems has dared to ask itself that question and subjected its offerings to a tough and unbiased calculation. Taking real-life data from a sample of its users, the resulting white paper "The Commercial Case for CodeMeter" tries to answer the question of what costs enterprises of different sizes can expect, what benefits they can expect from using CodeMeter, and what the return on investment will be. That ROI is the indicator that will determine the answer to the old question: Make or buy?

The case for a protection and licensing system is summarized in the white paper, drawing attention to the many factors to be considered, from the threat of software piracy to the need to protect IP from theft and unauthorized use to the ever-present dangers facing software security. Cyberattacks and sabotage are increasingly likely, especially in the current geopolitical atmosphere, at a moment in time when more and more nations and entire economies have come to depend on software-enabled services. The rise of AI is not only revolutionizing the IT world and many professions and businesses everywhere, it is also opening up new avenues for attackers.

But can these often shadowy and intangible risks be translated into reliable figures for an ROI calculation? Wibu-Systems' white paper does so by taking data from its own business to understand the three major factors to consider: the start-up costs, the costs saved and the potential revenue increase.

## From boutique software developers to major corporations

To properly reflect the diverse nature of the IT industry, the white paper uses four sample case studies as a basis for its ROI calculation. Based on typical actual clients of Wibu-Systems, each case comes with its own commercial needs and financial capabilities.

Going from small to large, the case studies start with a bijou software development agency that supplies specialized simula-

tion technology to industry automation providers. The company needs a simple, but seamlessly integrated licensing solution and expects sales in the region of EUR 0.2 million. Slightly different needs apply in the second case, a maker of 3D printing designs whose print data are at particular risk of theft and illicit use. The company has responded to that threat by using CodeMeter dongles as the tamperproof 'passports', giving its clients access to their designs.

The financial resources at stake increase substantially in the two other model cases. A medium-sized mechanical engineering business represents the third case. Its needs go beyond protecting the IP in its machines and extend to using CodeMeter's granular licensing to allow individual machine features to be paid for and activated at the point of need, reducing the entry threshold for its buyers and creating new channels for its aftersales business. With annual revenue expected in the region of EUR 10 million, the technological and commercial factors at work are more complex, with different development environments, virtualization solutions, and cloud services all involved.

The fourth and largest model business is represented by a company that produces a comprehensive business management solution for corporate clients. Beyond the technological considerations at stake, the challenge lies in ways to create and distribute massive numbers of licenses, ideally with extensive self-service capabilities. Annual revenues lie in the region of EUR 35 million.

## Entry thresholds and aftersales corridors

The author of the white paper considers all relevant factors in his ROI calculation. The most straightforward element is the startup cost needed to purchase and integrate the licensing system. The needs diverge immediately beyond this point: While the smaller companies need to account only for the license for CodeMeter Protection Suite itself and for minor development efforts to integrate CodeMeter in their own software, the larger companies may have to call on support from Wibu-Systems Professional Services and Academy. In addition, the integration effort is substantially greater and extends, in particular for the corporate software business, to major changes to the back-office landscape. (Figure 1)
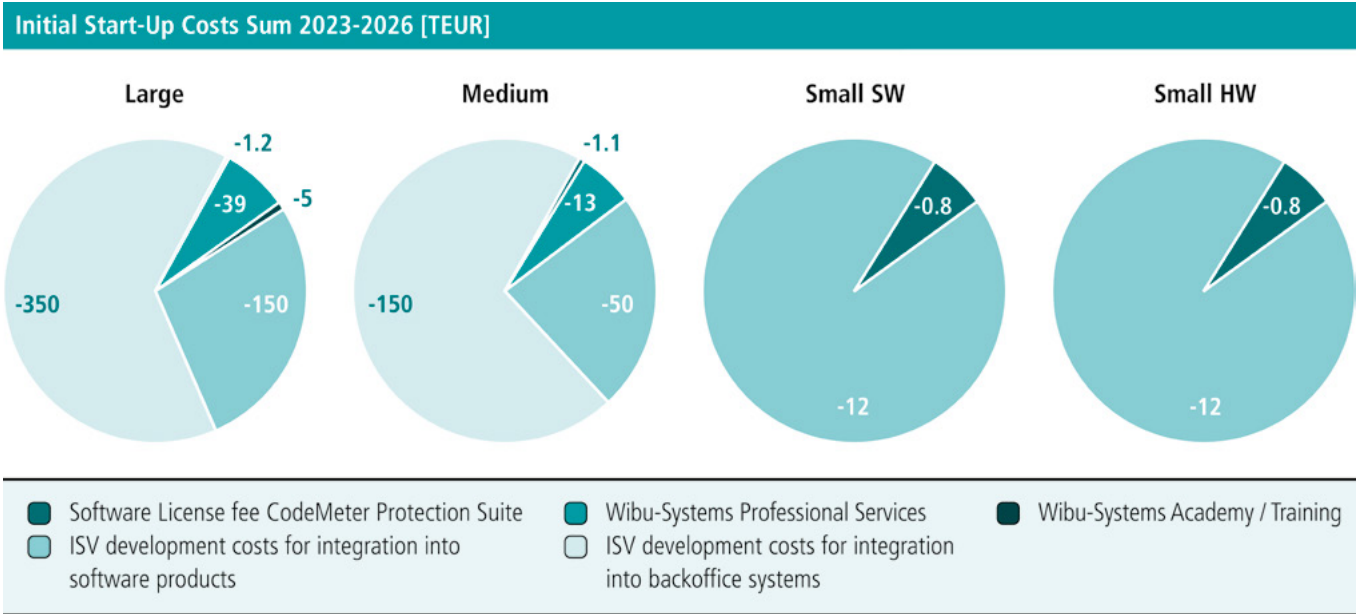


Figure 1: Sum of initial Start-Up costs in TEUR before operation of the licensing system

**THOMAS OBERLE** *holds a degree in electrical engineering from the University of Karlsruhe. He began his professional career as a hardware and embedded software developer for industrial fieldbus systems, machine controls, and operating devices.*

*After completing his postgraduate studies in industrial engineering at the Kaderschule St. Gallen (CH), he moved into management consulting. Working initially as a process consultant for innovation management, product development, and project management initiatives, he then became a senior consultant for production, purchasing, and supply chain management endeavors. As project manager for the implementation of SAP ERP systems, he gained profound knowledge of common best-practice business processes in manufacturing.*

*At WIBU-SYSTEMS AG, he is a member of the management team, responsible for organizational development, process optimization, and the use of methods and tools, as well as for program and product portfolio management.*

The entry threshold therefore can differ substantially from around EUR 12,000 to more than half a million. To this first cost factor, the costs of operating the integrated and fully functional licensing system need to be added. Made up of different license fees and e.g. the costs for physical CodeMeter dongles, operating costs can again range from the low tens to hundreds of thousands or even pass the million EUR mark in the large corporate case.

To counter these costs, companies can expect certain revenues from their choice of a licensing system like CodeMeter. This is where the author of the white paper offers his readers an invaluable insight into the realities of the market. Distinguishing between the revenue that is added simply by avoiding software piracy, the revenue created by expanding the potential market for the protected IP, and the potential kingmaker factors – the revenue created by turning novel and flexible licensing models into new business opportunities – the author offers meaningful figures from his case studies.

His findings are eye-opening: While the prevention of software piracy offers an expected revenue boost that ranges from EUR 10,000 to a full EUR 1.75 million for the corporate business, the ability to create novel licensing-driven business models has a positive impact on revenues that almost equals those amounts. While the smaller businesses can expect to make an additional EUR 30,000, the potential figure rises to over EUR 740,000 for the medium-sized business and over EUR 1.2 million for the largest business – all revenues that are not simply potential losses averted or recouped, but essentially newly created. (Figure 2).

Finally, the simplification of license creation and distribution processes and the entire software logistics process that is offered by a smart solution like CodeMeter has the power to save substantial costs in order processing, development, and support. With the same sliding scale for the four types of businesses, the savings determined by the author of the white paper range from over EUR 100,000 for the smaller businesses to an excess of a million for the largest business. (Figure 3).
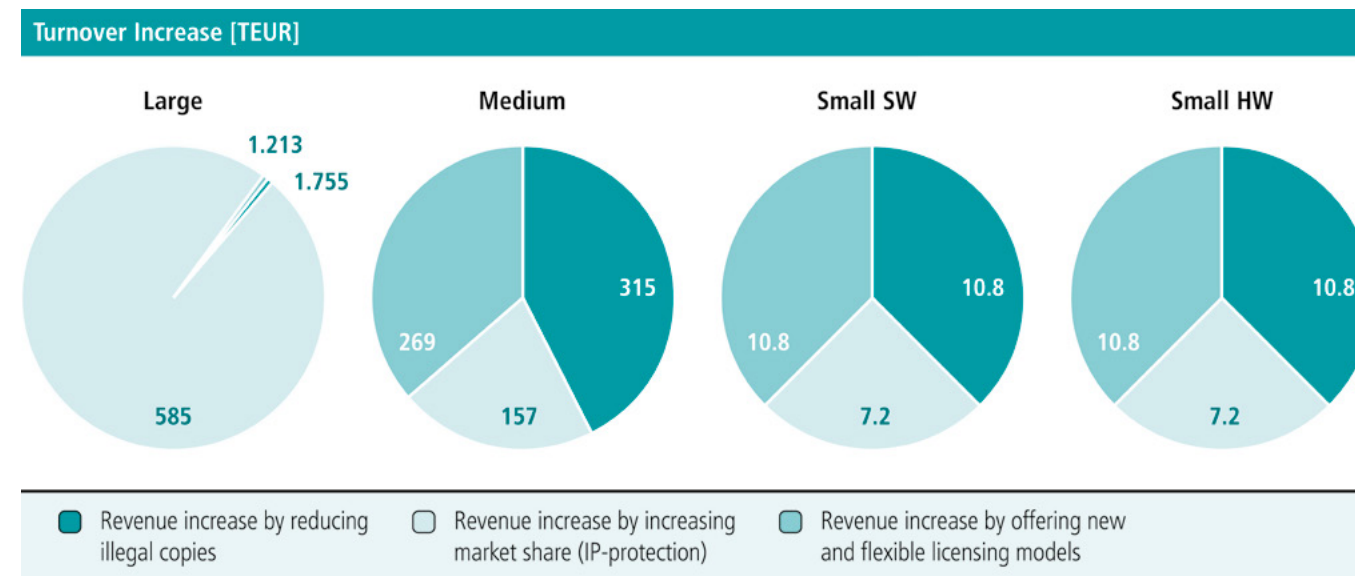
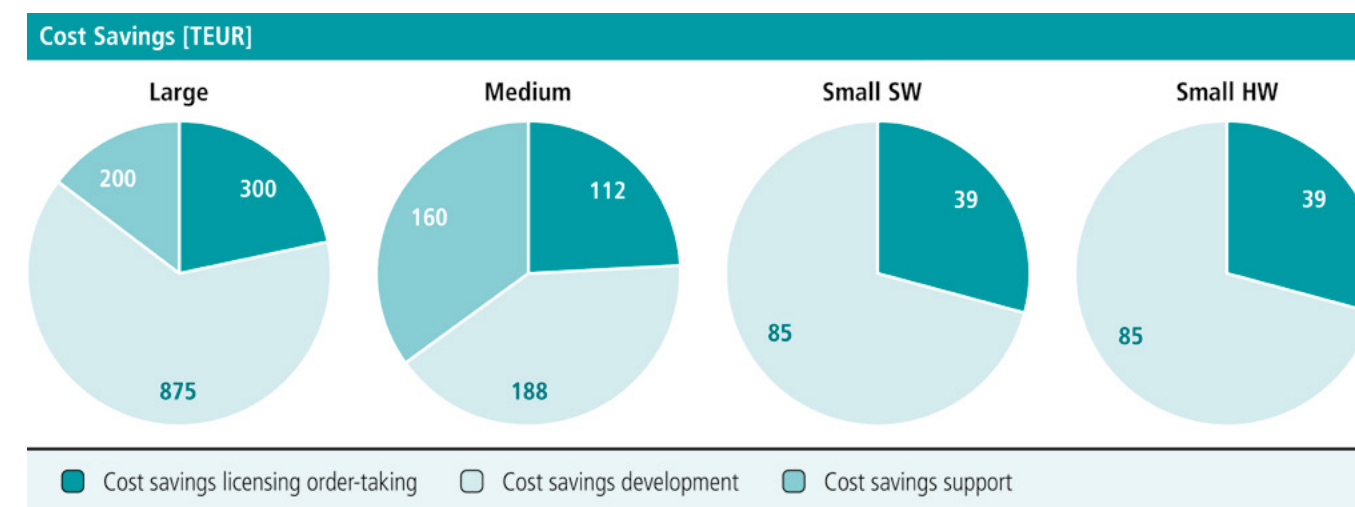*Figure 2: Increase in turnover, 3 years after integration of the licensing system.*

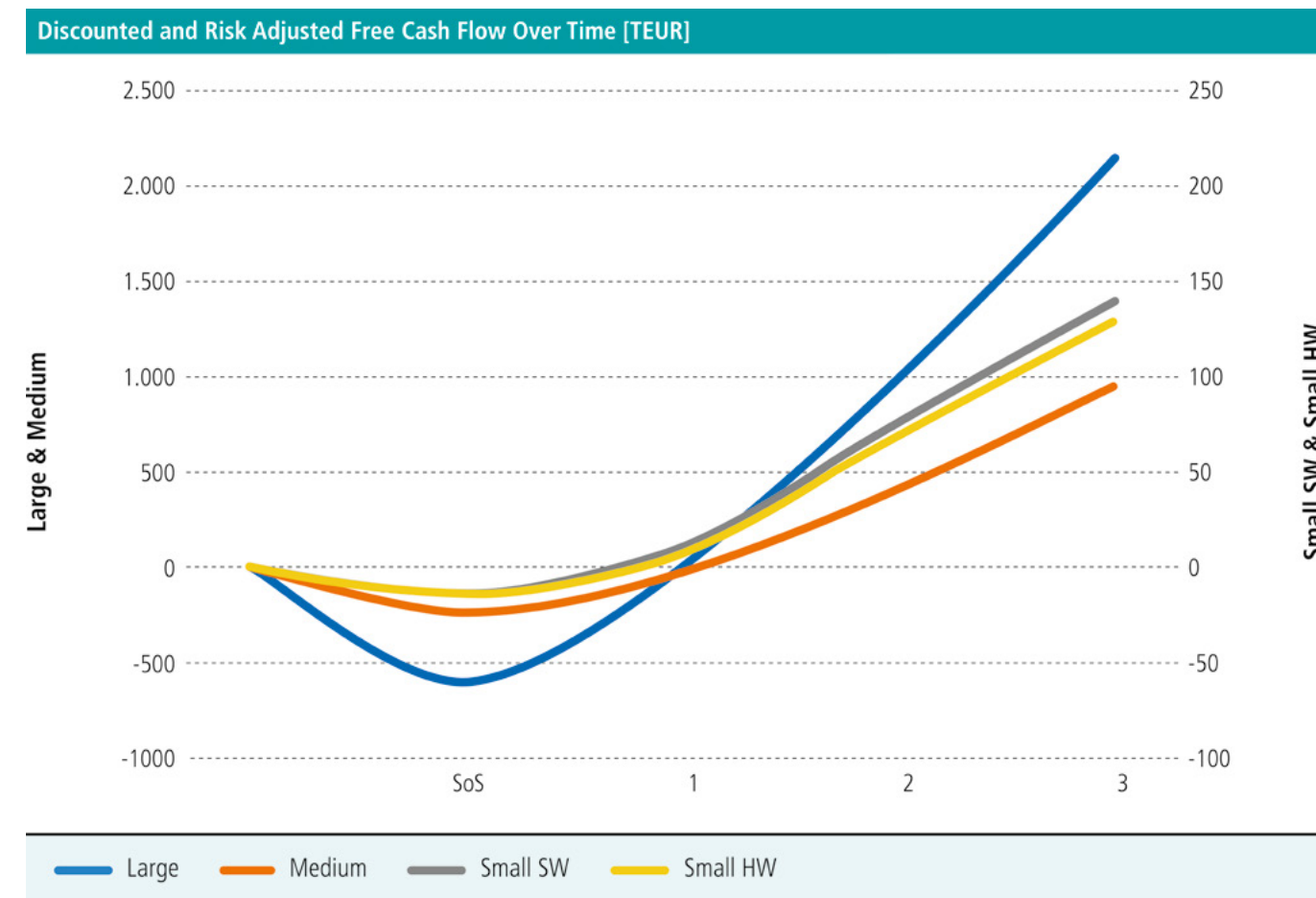*Figure 3: Cost savings, 3 years after integration of the licensing system.*

**Discounted and Risk Adjusted Free Cash Flow Over Time [TEUR]**



*Figure 4: Cash flow during the project, attributed to the licensing system.*

**Costs and Gains**



*Figure 5: Costs and gains broken down for each customer.*

## Is it worth it?

Pulling all of the data together, the results of the calculations made by the Wibu-Systems author speak a very plain language: The value of a professionally created and smart protection and licensing system like CodeMeter is immense.

**SCAN ME**



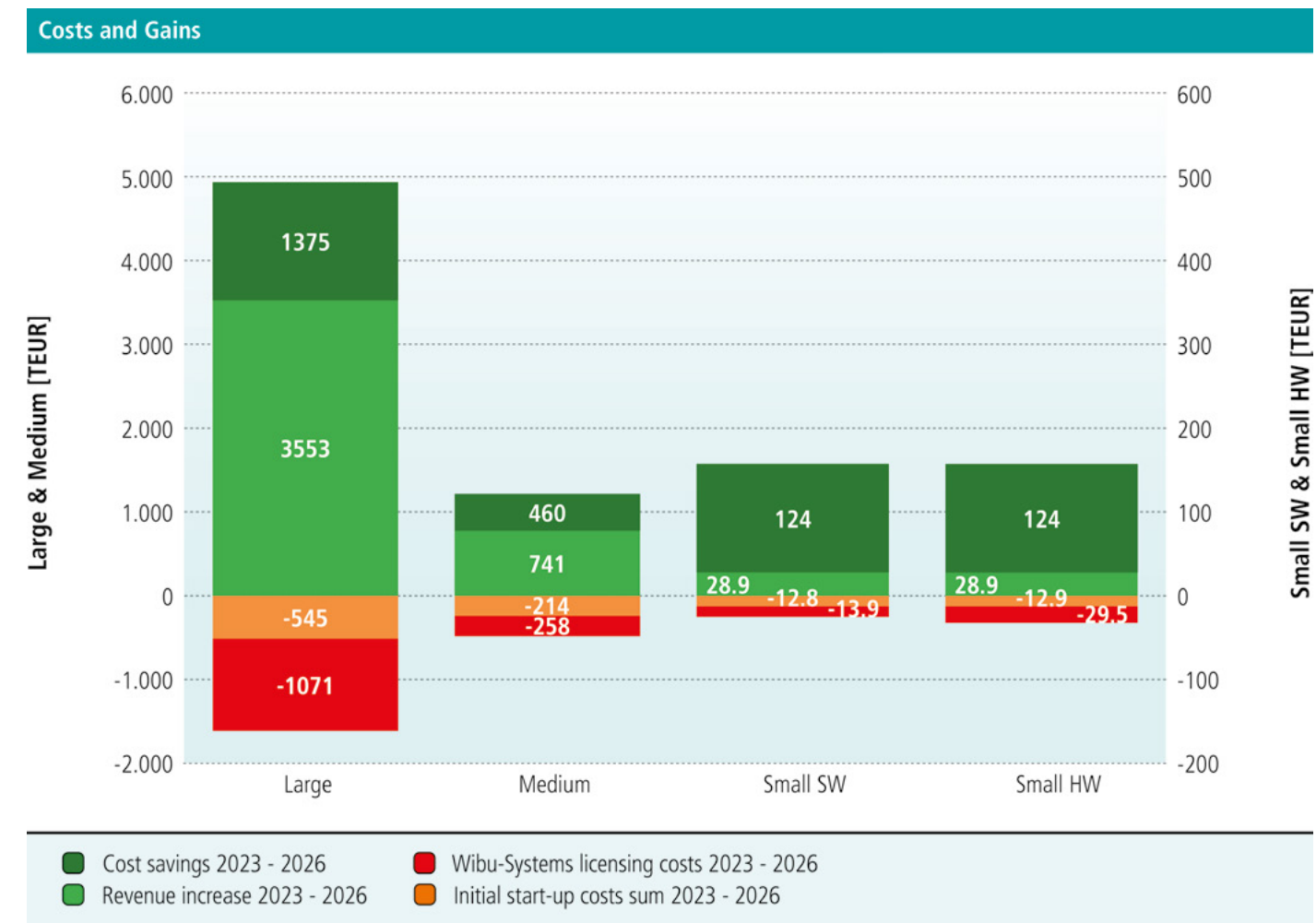**FOLLOW THE QR CODE TO DOWNLOAD THE FULL WHITE PAPER FROM WIBU-SYSTEMS**

The initial ROI calculated by the author for his model corporate-scale business is a full 357% and 405% for the medium-sized business. For the two smaller businesses, that increases even further to no less than 661% and 745%. And that three to sevenfold return on the investment in CodeMeter becomes even better over time, as the initial costs for integrating the licensing system in an established software business amortize over the years and only the regular operating and support costs remain. The author calculates that the breakeven point will be reached reliably within a mere year from buying CodeMeter, and the revenues won as a result continue to grow over the years. (Figures 4 & 5)

Based on these detailed calculations and intensive interviews with actual users, the white paper's conclusions leave no room for any other answer to the age-old make-or-buy question than: "Buy", and then sit back and enjoy the returns. ⊠