Future of OPEN Source

5TH Annual Leadership Keynote
Michael Skok

The Panel

Jim Whitehurst
President & CEO
redhat

Tom Erickson
CEO
acquia

Michael Skok
General Partner
NORTH BRIDGE

Mike Olson
CEO
cloudera

Adrian Kunzle
Managing Director
J.P.Morgan

Agenda

- Industry
- Impact
- Investment
- Direction

Collaborators

acquia
olliance group
redhat
AKIBAN TECHNOLOGIES
rPath
cloudera
blackduck
INGRES
SUGARCRM COMMERCIAL OPEN SOURCE
Eucalyptus Systems
INFOBRIGHT
JASPERSOFT
REVOLUTION ANALYTICS
COUCHBASE
NORTH BRIDGE venture partners growth equity
EnterpriseDB
the 451 group
Novell.
Microsoft
SandHill.Com Business Strategy for Software Executives
OpenLogic
AUTOMATTIC
Sonatype Transforming Software Development

Who we heard from.
(you!)

Survey Response

455

Q1

1. Which best describes your primary role with regard to Open Source?		
Open Source Vendor (producer of hardware, software or services)	186	41%
Non Vendor (Anyone that is not a vendor)	269	59%
Total	455	100%

Survey Respondents

Vendors

40%

Non-Vendors

60%

Survey Respondent's Titles

Q. 20

20. Which of the above survey questions or other issues would you like to see highlighted at the North Bridge Venture Partners keynote panel on Monday, May 16th at 9:45AM? (please choose up to 3)		
Economy	33	11%
Open Source Tipping Point	84	28%
Top Factors that make Open Source Attractive	82	28%
Top Barriers to selection of Open Source vs. Proprietary	113	38%
Sectors that are Susceptible to disruption or not	57	19%
Manageability of Applications	36	12%
New Open Source companies and/or projects	85	29%
Revenue Generation Strategies	86	29%
Licensing Strategies	45	15%
Factors impacting OS applications & Middleware vendors	25	8%
Percentage of deployment of Open Source	27	9%
Biggest Challenges Facing Open Source	96	32%
Other, please specify	3	1%

Top Requested topics for the 2011 panel!

- ✓ Top barriers to selection of Open Source
- ✓ Biggest challenges facing Open Source

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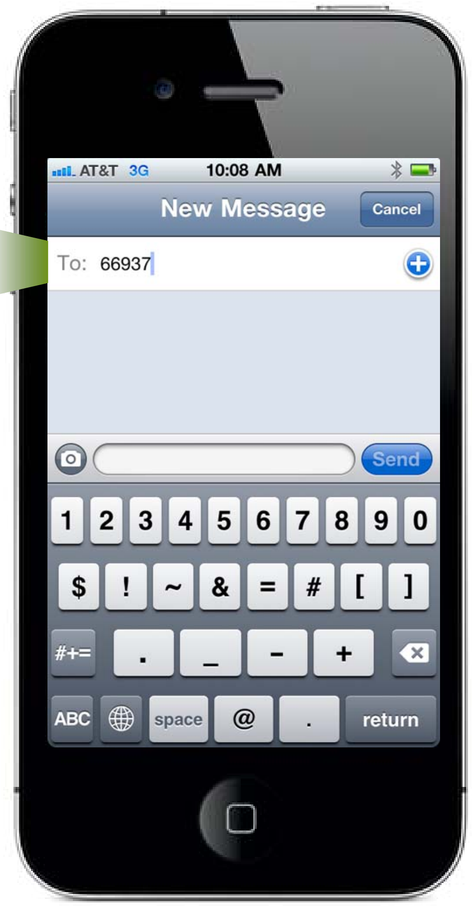
Backdrop

Turbulent economy

Get Out the Vote!

66937



Is a turbulent economy

good (goodfor)

or

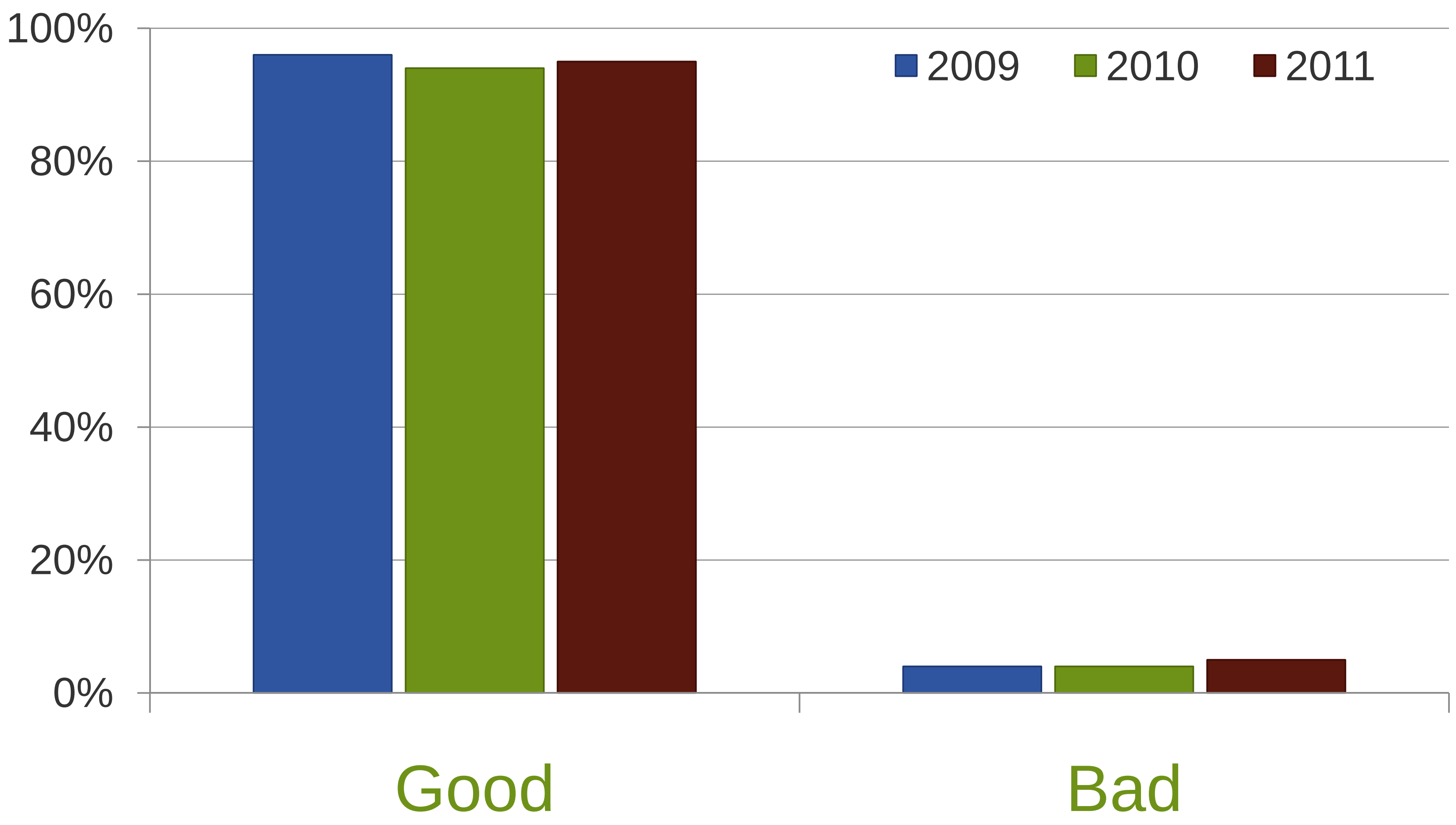
bad (badfor)

for Open Source?

Q7.

7. Is the economy's turbulence good or bad for open source software? (select one)		
Good	348	95%
Bad	20	5%
Total	368	100%

Is a Turbulent Economy Good or Bad for Open Source?

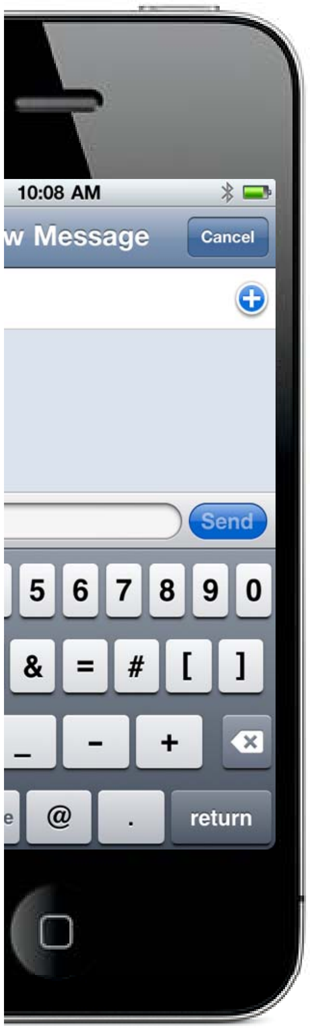


Q11. (Please choose 3 only).

11. What are the top factors that make open source software attractive? (Please choose 3 only).		
Better quality software (including performance & reliability)	112	36%
Lower acquisition and maintenance costs	171	56%
Abundance of code/components to choose from – large number of available components, large libraries of community-developed customizations, extensions, and add-ons	122	40%
Flexibility -- access to source code and the ability to add features and fix issues yourself; as well as the inherent modular nature of open source projects	166	54%
Rapid pace of innovation and releases	86	28%
Superior security	27	9%
Freedom from vendor lock-in /ability to have a competitive alternative to incumbent suppliers	175	57%
Other, please specify	2	1%

NOTE: respondents may choose up to 3 answers

LIVE Vote!
Txt Your Vote to 66937



What makes Open Source software most attractive?

Better Quality Software…. “quality”

Lower Acquisition Costs… “lower”

Abundance of Code……… “abundance”

Flexibility……………………. “flexibility”

Rapid Pace of Innovation.. “rapid”

Superior Security………… “superior”

Vendor Freedom………..... “vendor”

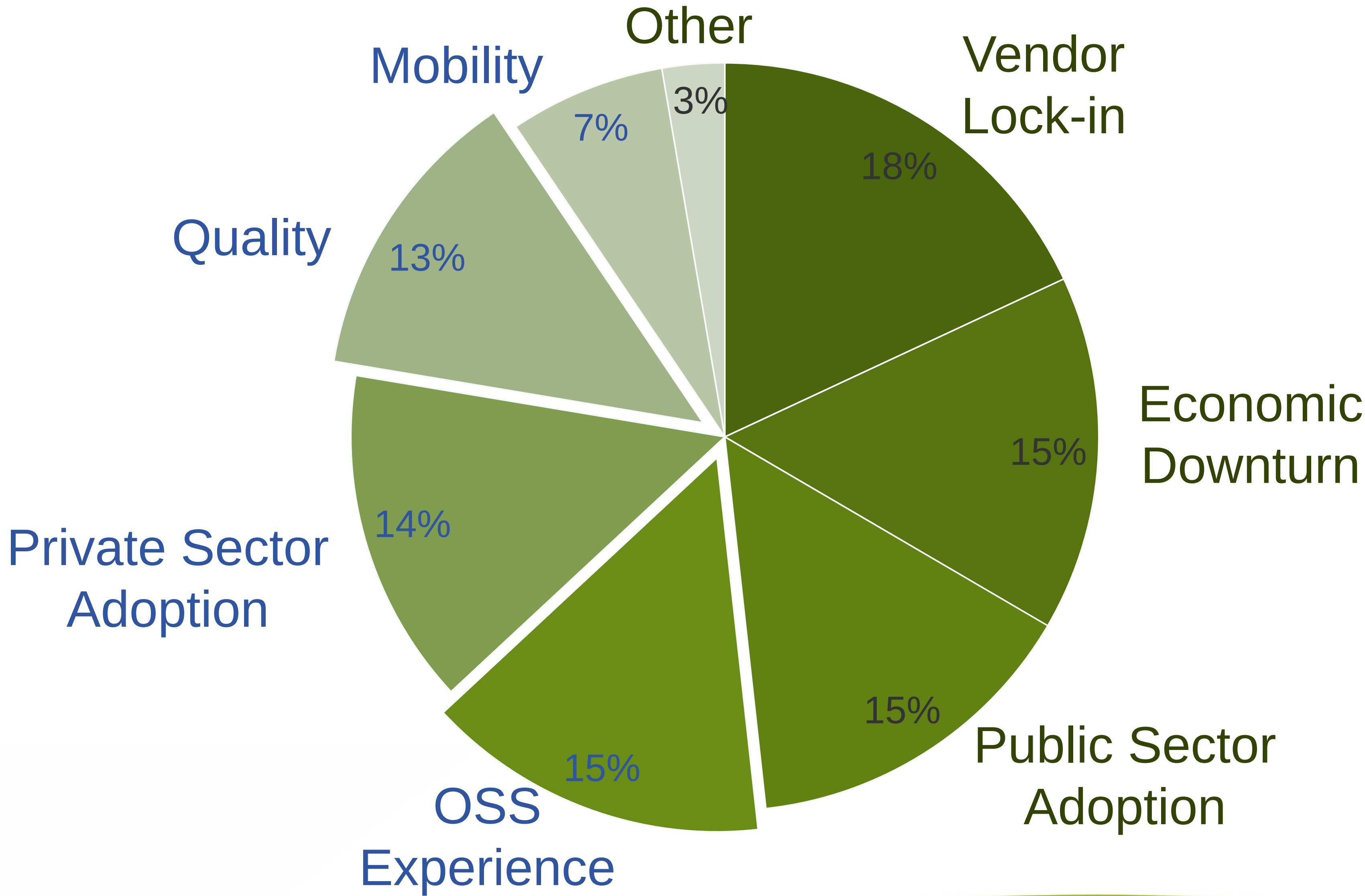
What Makes OSS Attractive?

2008	2009	2010	2011
Lower costs	Lower costs	Lower costs	Freedom from VENDOR lock-in
Freedom from VENDOR Lock-in	Superior security	Freedom from VENDOR lock-in	Lower costs
Access to code libraries	Freedom from VENDOR lock-in	Rapid pace of innovation	Flexibility

Q8.

8. What do you consider the most important "tipping point" driving adoption of Open Source Software?		
Economic downturn has resulted in increased open source usage	57	15%
Government/Public Sector Adoption/Validation of Open Source	54	15%
Private Sector Adoption of Open Source	55	15%
Experience with Open Source	55	15%
Avoiding Vendor Lock-in/Need for Alternatives	67	18%
Quality of software/support	48	13%
Success of open source in mobile creating a tipping point for other industries	25	7%
Other, please specify	10	3%
Total	371	100%

Tipping Point – What's Driving Adoption?



Q12. (Please select up to 3)

12. What are the top barriers to selection of open source software when competing with proprietary alternatives? (Please select up to 3)		
Legal concerns about licensing	86	10%
Total Cost of Ownership concerns	44	5%
Security concerns	44	5%
Lack of internal technical skills	128	15%
Unfamiliarity with open source solutions	124	15%
Application deployment complexity	43	5%
Stringent IT operations policies	73	9%
Lack of formal commercial vendor support	100	12%
Lack of a specific community's size and momentum	52	6%
Lack of competitive features/technical capabilities	30	4%
Does not conform with procurement/adoption policy or procedure	66	8%
Product Quality	21	3%
Other, please specify	15	2%
	826	100%

Top Barriers to OSS Selection

- Lack of internal technical skills — 126 responses
- Unfamiliarity with open source solutions — 122
- Lack of formal commercial vendor support — 98
- Legal concerns about licensing — 84
- Does not conform to internal policies — 65

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#9 & #10

9. Which sector of the software industry is MOST susceptible to disruption by open source software within the next five years? (select up to 3)	
Business Intelligence	73
ERP/CRM	58
WCM/CMS/Social Software	64
Systems Management Tools	38
Application Development Tools	65
Security tools	22
Mobile	94
Connectivity Applications (e.g., Networking, IP Telephony/VoIP)	56
Operating Systems	80
Office Productivity	60
Virtualization	57
Database	94
Other, please specify	6

10. Which sector of the software industry is LEAST susceptible to disruption by open source software within the next five years? (select up to 3)	
Business Intelligence	71
ERP/CRM	89
WCM/CMS/Social Software	21
Systems Management Tools	36
Application Development Tools	26
Security tools	68
Mobile	24
Connectivity Applications (e.g., Networking, IP Telephony/VoIP)	42
Operating Systems	52
Office Productivity	92
Virtualization	30
Database	46
Other, please specify	12

What Sectors will be Disrupted by OSS Over the Next 5 Years?

MOST
- **Mobile**
- Database
- OS

- Office Productivity
- ERP/CRM
- **Business Intelligence**

LEAST

13.

13. How is the growing use of open source components impacting the manageability of applications?		
More complex	87	29%
Less complex	73	24%
Neither, no impact on application complexity	141	47%
Total	301	100%

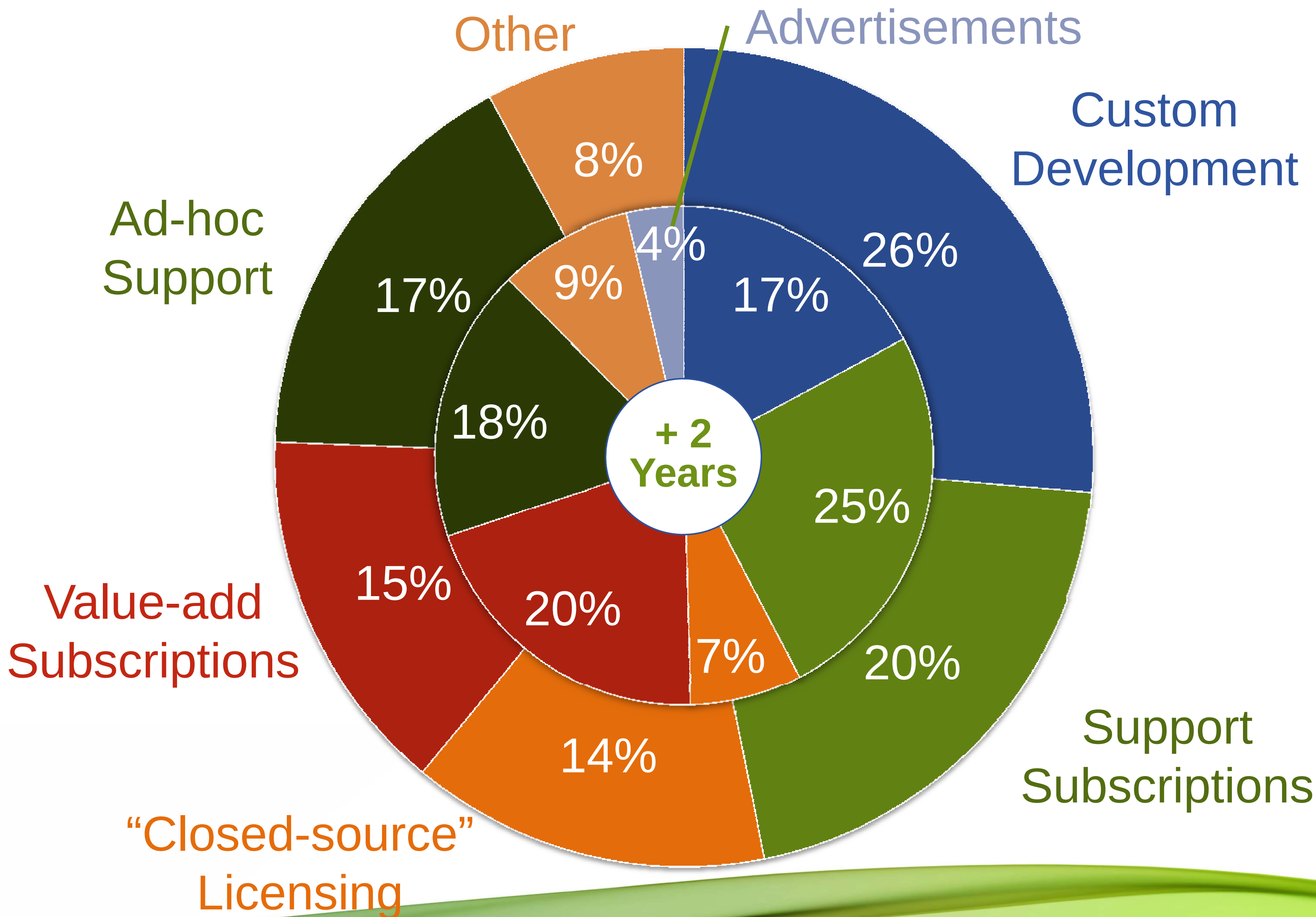
How is the use of OSS Components impacting the Manageability of Applications?

Q4 & 16 (Vendor only questions)

4. (Vendors Only) If you develop and/or sell open source software which of the following areas represent your primary source of revenue? (choose up to 2).	
Closed source license - Either for a version of the full project, or a larger software package or hardware appliance based on the project, or for extensions to the open source core.	36
Support subscription - An annual, repeatable support and service agreement.	52
Value-add subscription - An annual, repeatable support and service agreement with additional features/functionality delivered as a service.	37
Service/support - Ad hoc support calls, service, training and consulting contracts.	41
Software services - Users pay to access and use the software via hosted or cloud services.	15
Advertising - The software is free to use and is funded by associated advertising.	0
Custom Development - Customers pay for the software to be customized to meet their specific requirements	67
Other Products and Services - The open source software is not used to directly generate revenue. Complementary products provide the revenue.	20
	268

16. Which of the following revenue generation strategies are likely to create the most value for open source vendors over the next two years? (Select up to 3)		
Closed source license - Either for a version of the full project, or a larger software package or hardware appliance based on the project, or for extensions to the open source core.	49	6%
Support subscription - An annual, repeatable support and service agreement.	170	22%
Value-add subscription - An annual, repeatable support and service agreement with additional features/functionality delivered as a service.	137	18%
Service/support - Ad hoc support calls, service, training and consulting contracts.	120	15%
Software services - Users pay to access and use the software via hosted or cloud services.	106	14%
Advertising - The software is free to use and is funded by associated advertising.	25	3%
Custom Development - Customers pay for the software to be customized to meet their specific requirements	116	15%
Other Products and Services - The open source software is not used to directly generate revenue. Complementary products provide the revenue.	59	8%
	782	100%

Top Vendor Revenue Sources



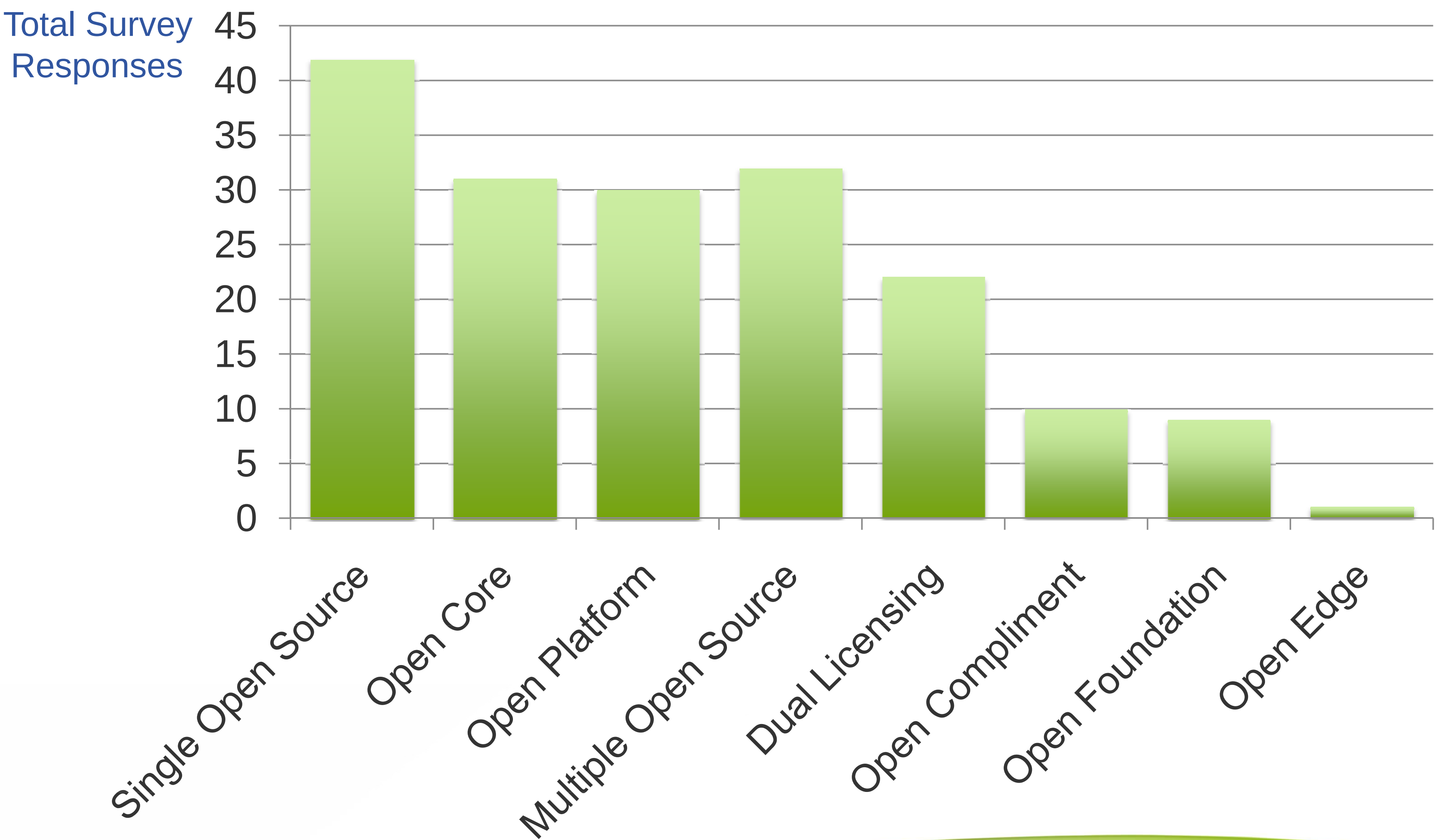
Q5 (Choose up to two)

5. (Vendors Only) If you develop and/or sell open-source software, what licensing strategy do you employ? (Choose up to two)		
Single open source - The software and all associated features are available under a single open source license.	42	24%
Multiple open source - The software and all associated features are available using a combination of open source licenses	32	18%
Dual licensing - The software is available using an open source license, or a closed source license.	22	12%
Open core - The core project is open source, but a version with additional functionality is available using a closed source license.	31	18%
Open complement - Complementary products and services are available using a closed source license.	10	6%
Open edge - The core product is closed source, but extensions and complementary features are open source.	1	1%
Open foundation - The core product is closed source, but is built on open source software.	9	5%
Open platform - Open source software has been used to create a platform for the delivery of software services and Web applications.	30	17%
	177	

25

What Licensing Strategy do you use?

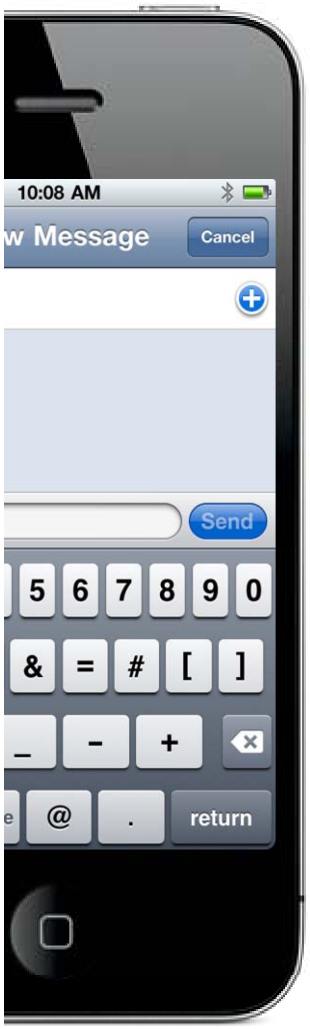
(vendor question)



Slide 32

25 include in the posted
Stephen Skidmore, 5/11/2011

LIVE Vote!
Txt Your Vote to 66937



Which of the following will have the greatest impact on software delivery for OS vendors?

Software-as-a-Service....... “software”

Private Clouds................ “private”

Public Cloud Computing.... “computing”

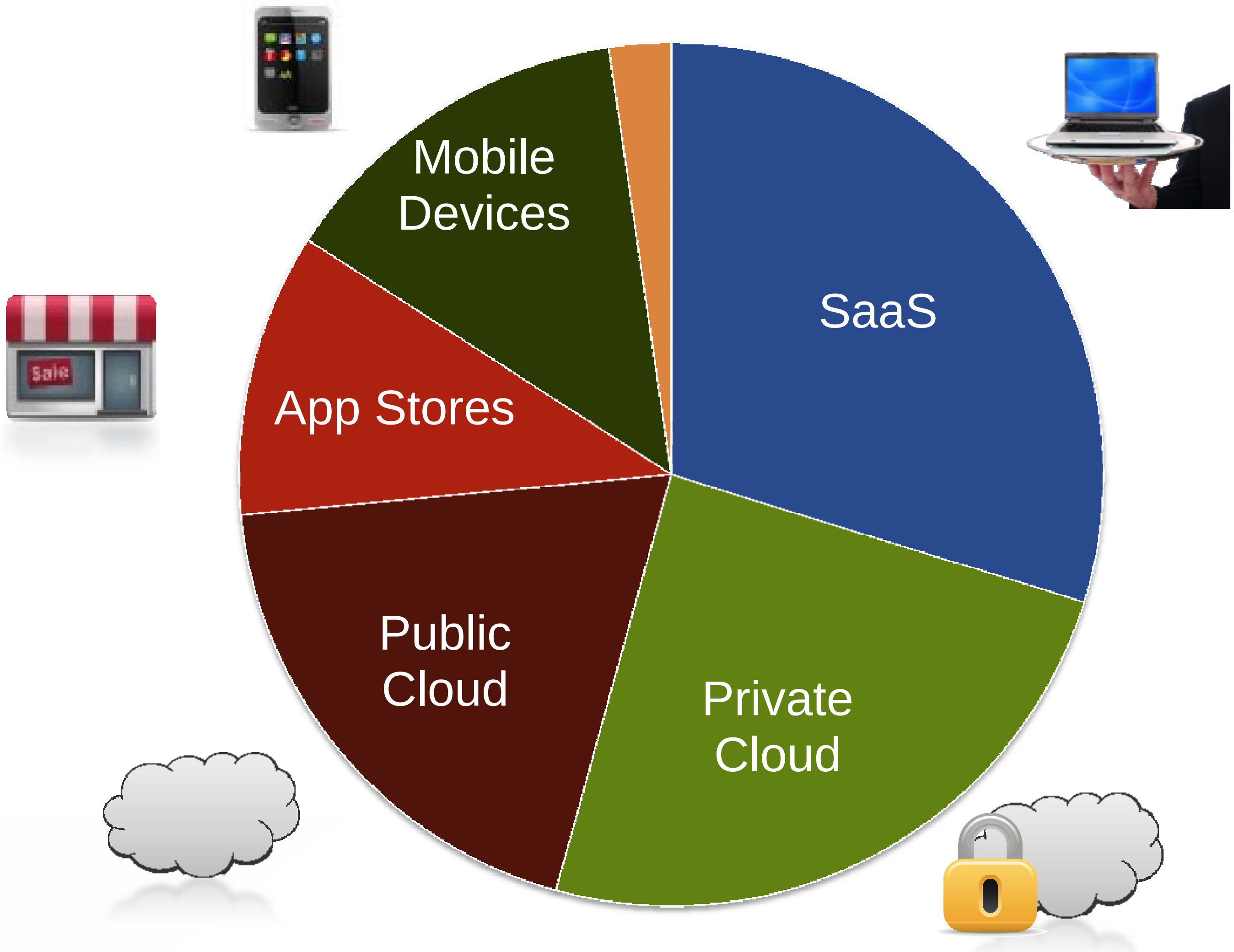
App Stores...................... “stores”

Mobile Devices............... “devices”

Q17

17. Which of the following will have the greatest impact on software delivery and/or business models for OS applications and middleware vendors?		
Software-as-a-Service (SaaS)	90	30%
Private Clouds and Virtualized Infrastructure	74	25%
Public Cloud Computing	58	19%
App Stores	32	11%
Mobile Devices	41	14%
Other, please specify	7	2%
Total	302	100%

Impact on OSS Vendors?



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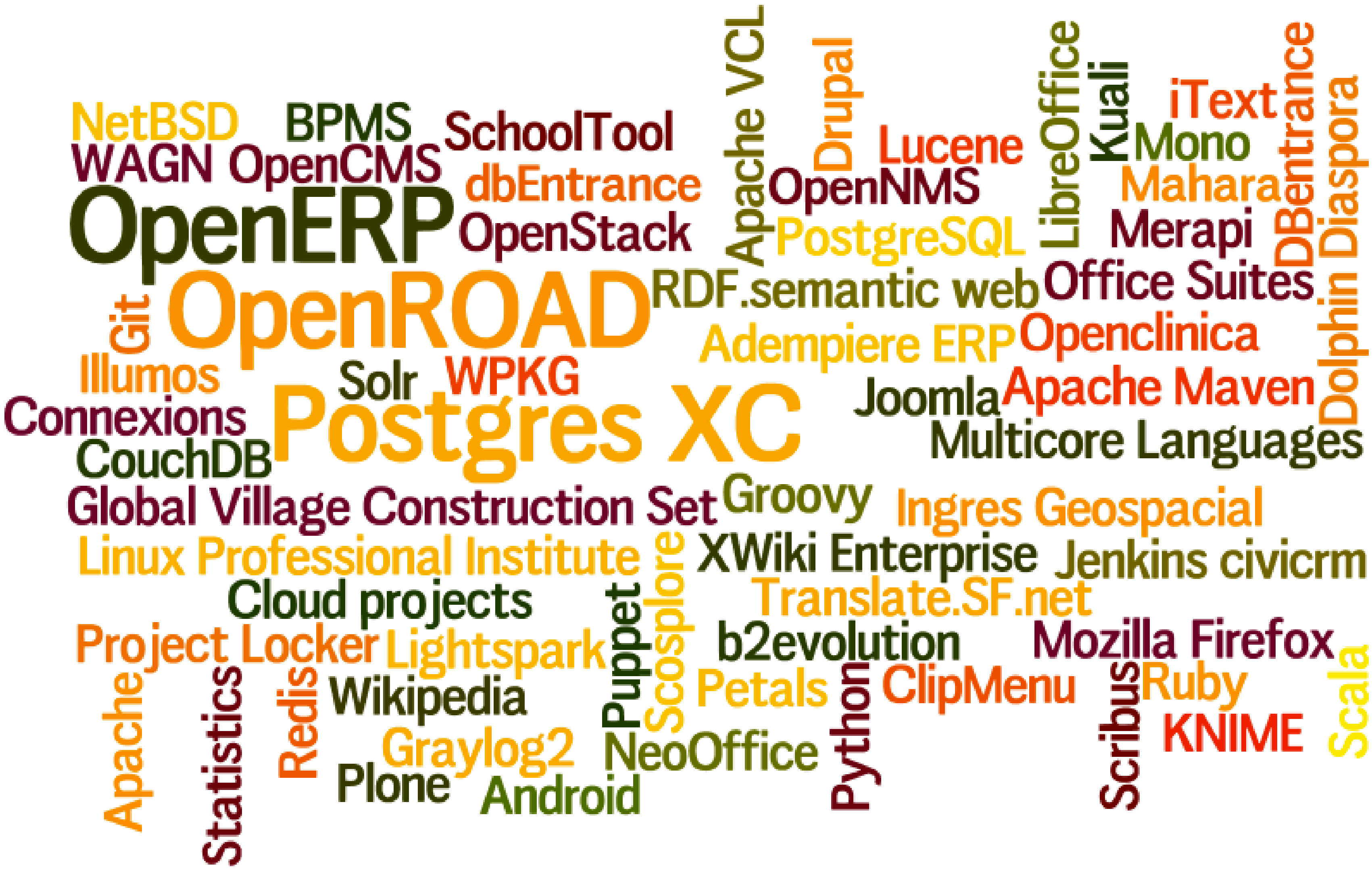
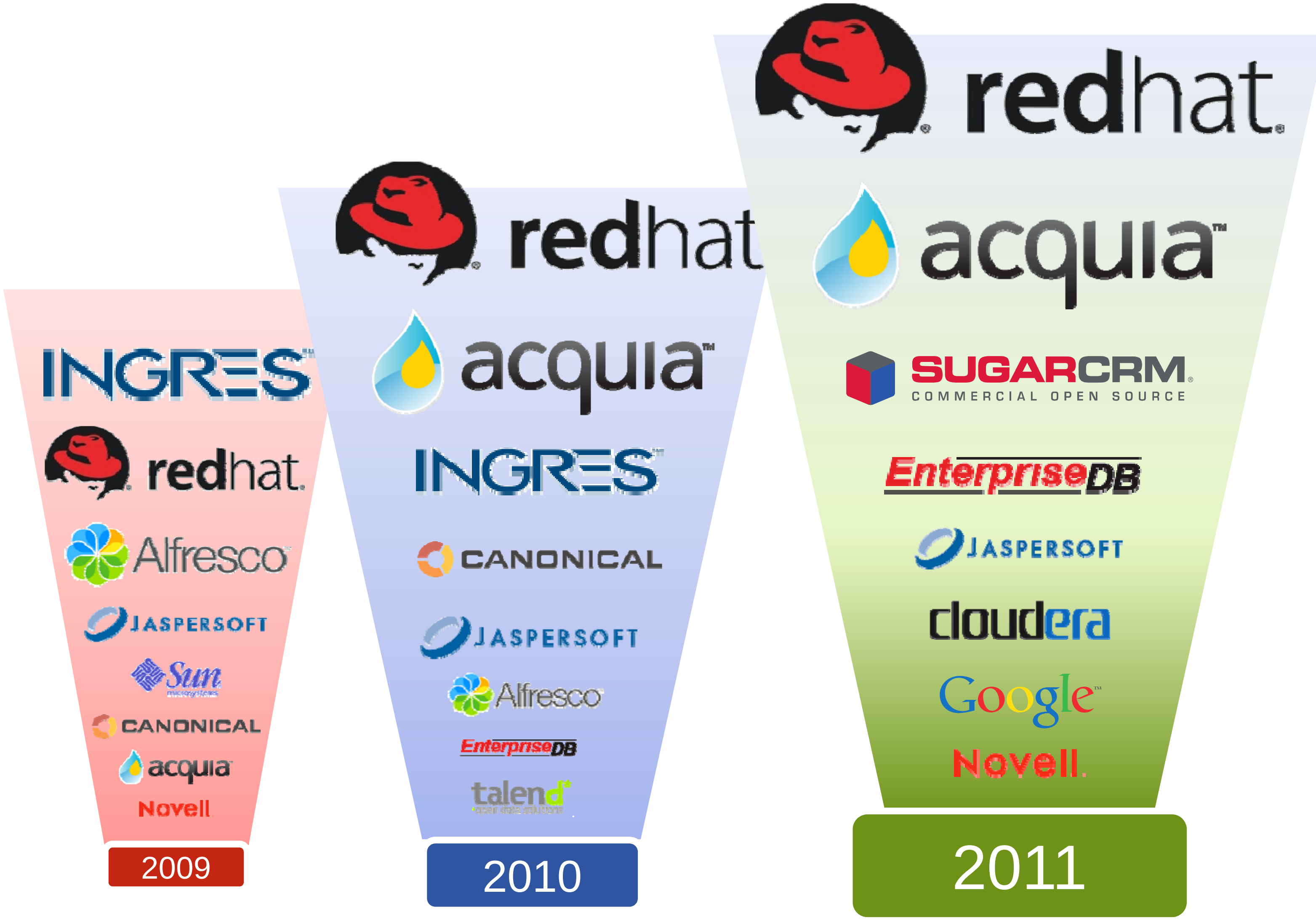
Cool OSS Projects!



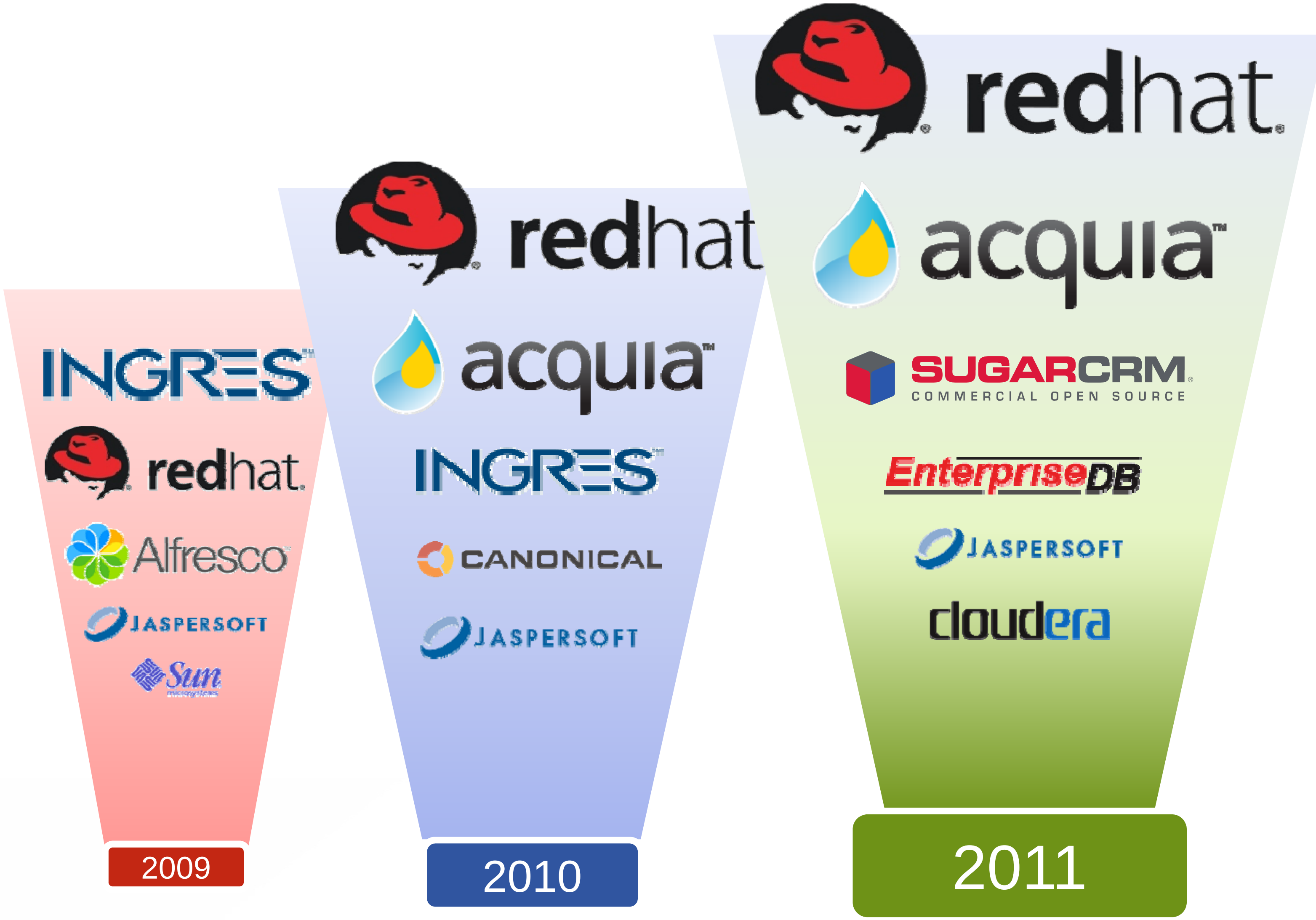
Q17

Word	Count
redhat	32
acquia	19
enterprisedb	14
sugarcrm	14
jaspersoft	13
cloudera	12
google	9
novell	8
pentaho	8
ubuntu	8
eucalyptus	8
alfresco	7

Up & Coming OSS Companies



Top 5 up & coming OSS Companies



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OSS Investment – by the numbers

$466M
24%
Dollars Invested

Deals Completed

$7.0M
22%
Ave Deal Size

$112M
72%
Seed, Series A

2009

	$375M	73	$5.7M	$65M

2.7%
71

Q18 & Q19

18. Looking at your business today, what percentage of deployed/adopted commercial open source vs. proprietary do you have in your organization?		
0-25% open source	96	32%
26-50% open source	67	22%
51-75% open source	62	21%
76-100% open source	75	25%
Total	300	100%

19. In 5 years, what percentage of purchased software will be open source (vs. proprietary)?		
0-25% open source	42	14%
26-50% open source	94	30%
51-75% open source	89	29%
76-100% open source	85	27%
Total	310	100%

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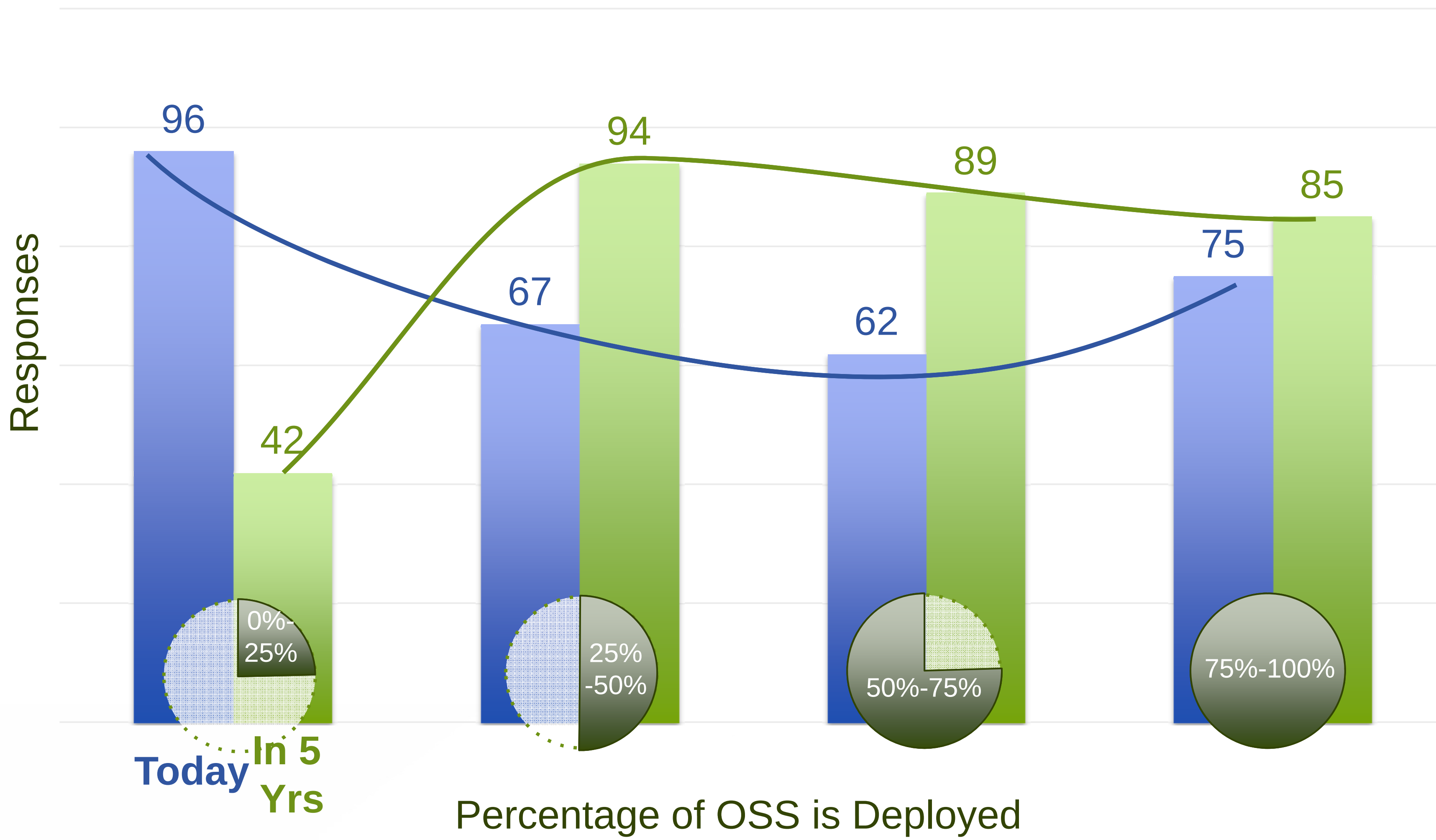
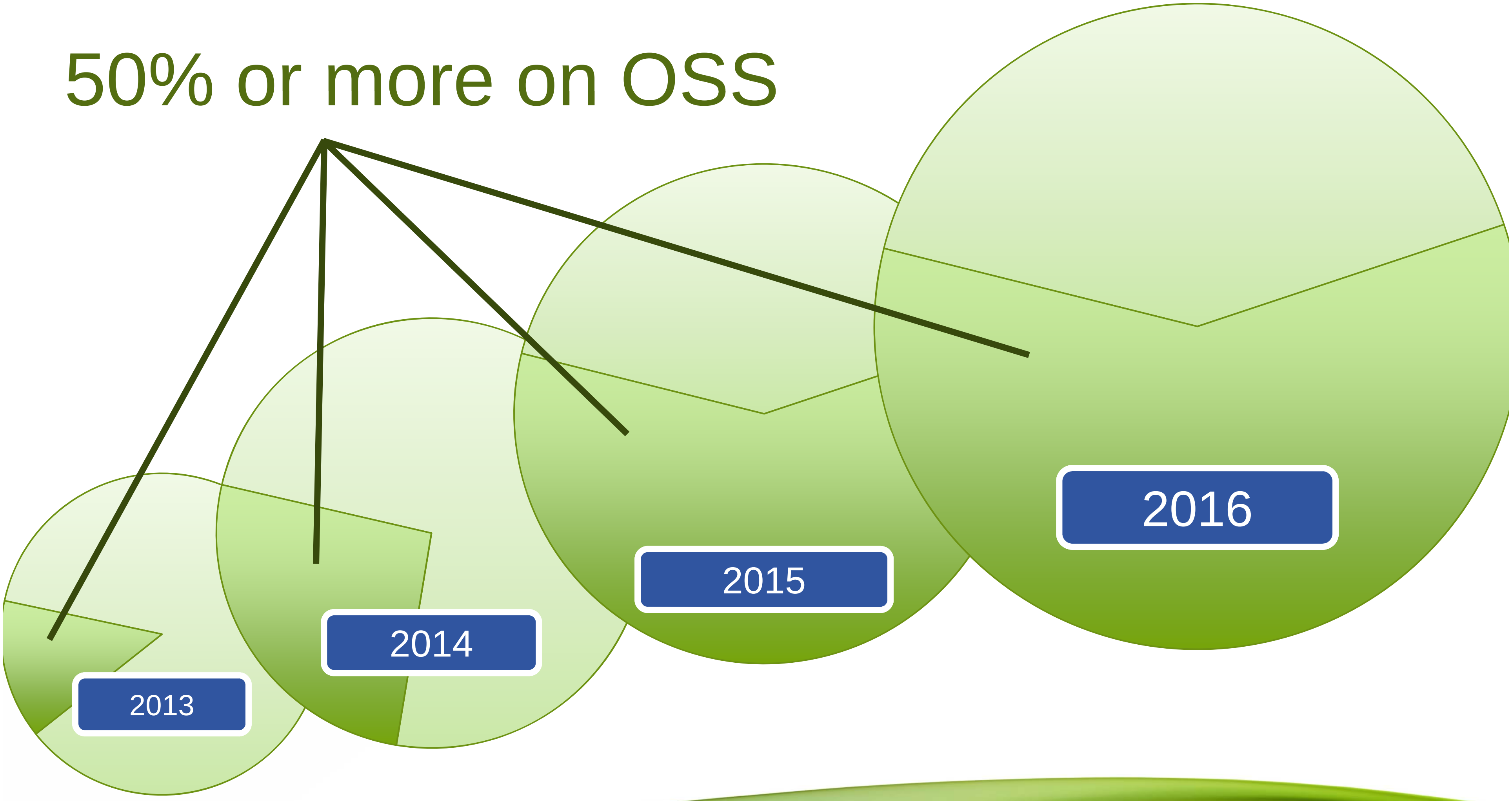
OSS Deployed in Your Organization



19.

19. In 5 years, what percentage of purchased software will be open source (vs. proprietary)?		
0-25% open source	42	14%
26-50% open source	94	30%
51-75% open source	89	29%
76-100% open source	85	27%
Total	310	100%

IN 5 YEARS: What % of Software Purchases Will be OSS?



OSS is Mainstream…

Growing Investments

Public Sector Adoption

Higher Quality

Private Sector Adoption

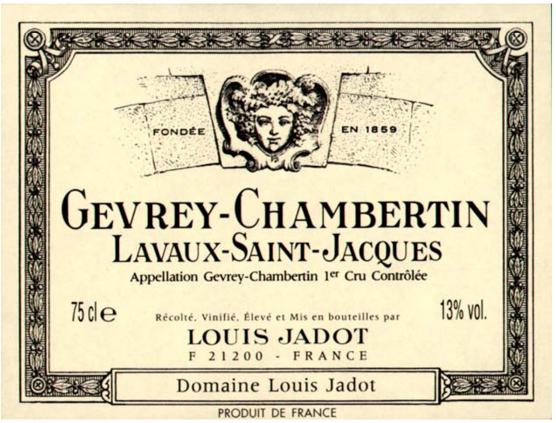
Avoid Vendor Lock-In

Lower Costs

Wrap-up: The Open Source Path

… But Not Yet Mature!

- Internal technical skills
- Unfamiliarity
- Vendor support



Watch for Path Traps

- Innovation vs. bloat
- Maintenance costs
- Ops-Dev

Opportunities!

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