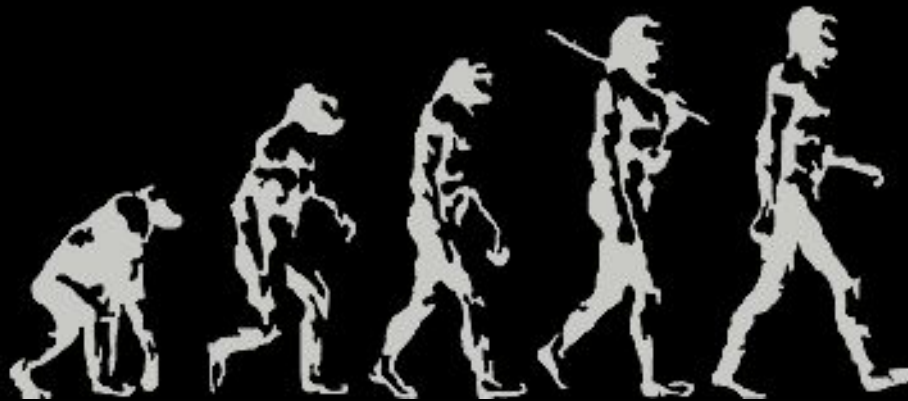


From support services to software services

The evolution of open source business strategies



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Open source is not a business model

How do vendors generate revenue from open source software?

Published:
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Enquiries to:
sales@the451group.com



Open source is not a business model

“My view was always that open source is not a business model, nor an industry. Open source is just a production model and a distribution model. So any monetization must be added from the outside, i.e. there is no intrinsic business model for open source.”

Marten Mickos



Open source is not a business model

“There is no open source business model.”

Jim Whitehurst

“I debated again yesterday with a colleague on open source business models. I don't believe there is such a thing.”

Stephen Walli



Elements of an open source business strategy

Revenue triggers

- Commercial license
- Subscription
- Support services
- Other products/services
- Software services
- Custom development
- Advertising



End user licensing

- Dual licensing
- Open core
- Open complement
- Single open source
- Assembled open source
- Closed

Software license

- Reciprocal
- Permissive

Development model

- Public
- Private
- Public/private
- Vendor
- Community
- Aggregate



Defining community relationships

Copyright control

Vendor
Foundation
Distributed
Withheld

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Defining customer relationships

Revenue triggers

- Commercial license
- Subscription
- Support services
- Other products/services
- Software services
- Custom development
- Advertising

Copyright control

- Vendor
- Foundation
- Distributed
- Withheld

End user licensing

- Dual licensing
- Open core
- Open complement
- Single open source
- Assembled open source
- Closed



Elements of an open source business strategy

Revenue triggers

- Commercial license
- Subscription
- Support services
- Other products/services
- Software services
- Custom development
- Advertising



End user licensing

- Dual licensing
- Open core
- Open complement
- Single open source
- Assembled open source
- Closed

Software license

- Reciprocal
- Permissive

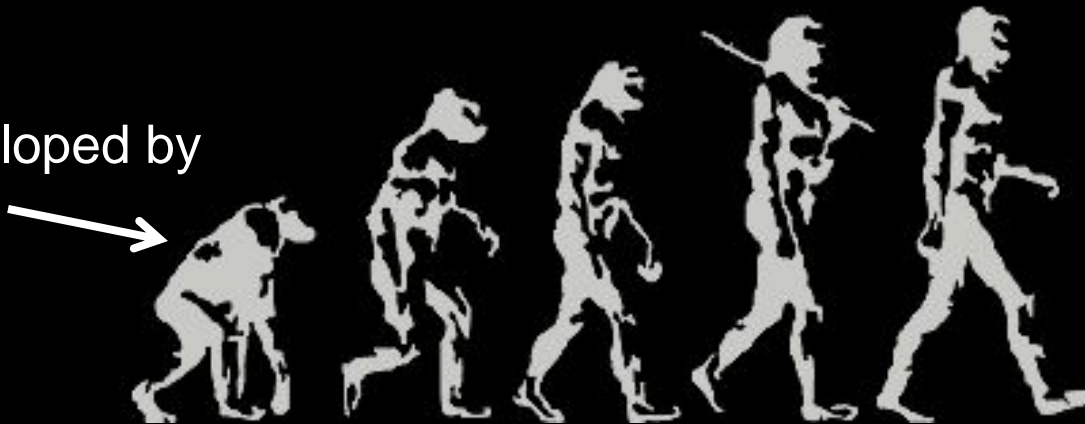
Development model

- Public
- Private
- Public/private
- Vendor
- Community
- Aggregate



The evolution of open source business strategies

Stage 1.0:
Software developed by
communities
of individuals.



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Free or free?

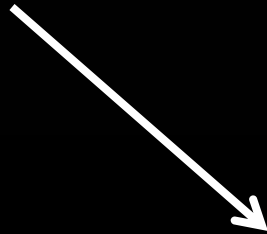
“There is no contradiction between selling copies and free software. In fact, the freedom to sell copies is crucial... Selling them is an important way to raise funds for free software development”

Richard Stallman

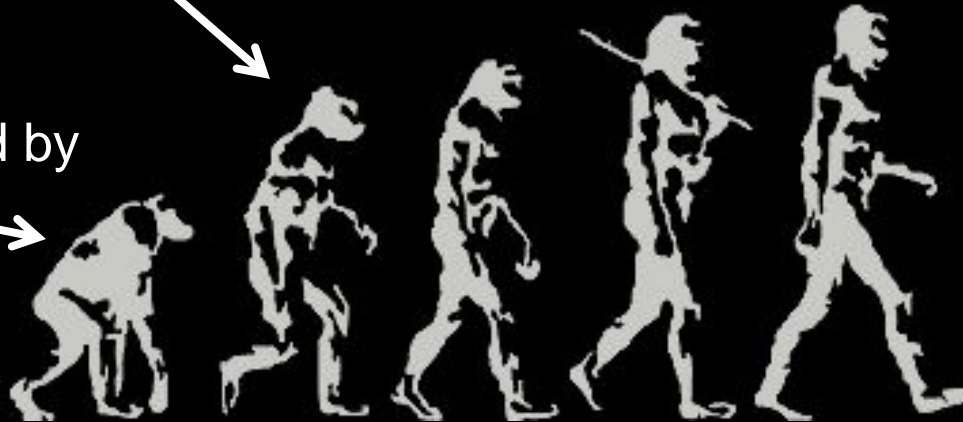


The evolution of open source business strategies

Stage 2.0: Vendors begin to engage with the existing developer communities.



Stage 1.0: Software developed by communities of individuals.



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Products or services?

“The move to free eradicates the traditional concept of product, and shifts the value that a company can provide to customers to services.”

Michael Tiemann



Cygnus Solutions

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Copyright control

Vendor
Foundation
Distributed
Withheld

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Cygnus Solutions

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Copyright control

Vendor
Foundation
Distributed
Withheld

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Linux vendors – generic

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Linux vendors – Caldera

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Linux vendors – VA Research

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Linux vendors – Red Hat

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate

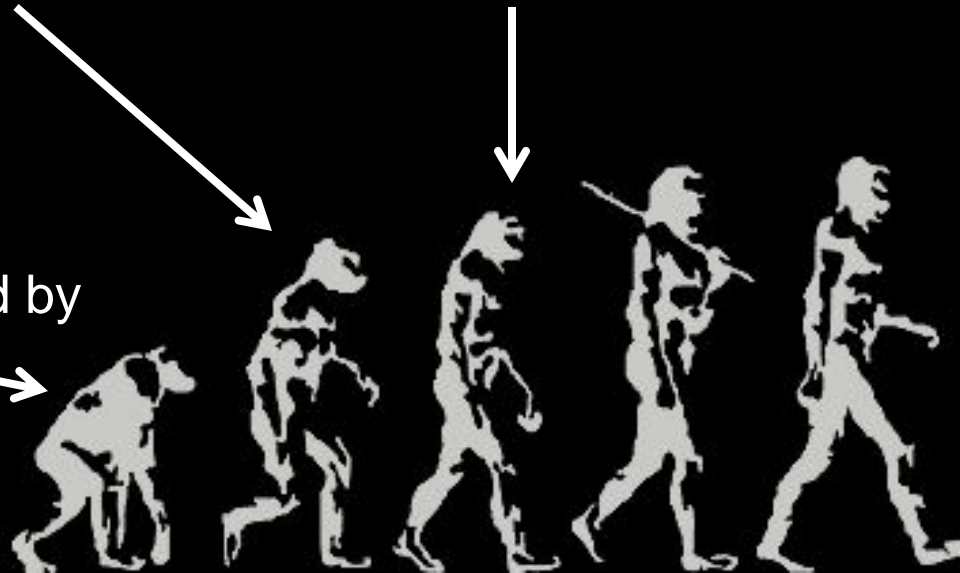


The evolution of open source business strategies

Stage 2.0: Vendors begin to engage with the existing developer communities.

Stage 3.0: Vendor-dominated open source development/distribution projects.

Stage 1.0: Software developed by communities of individuals.



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Products or services?

“The move to services is not being led by open source companies themselves - they have modeled themselves on the companies they are trying to dislodge.”

Mark Shuttleworth



Dual licensing

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Software license

Reciprocal
Permissive



End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



MySQL

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Monty Program - current

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

~~Vendor~~
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
~~Private~~
Public/private
~~Vendor~~
Community
Aggregate



Monty Program - desired

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Monty Program - desired

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



OpenNMS - previously

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



OpenNMS - potentially

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



OpenNMS - in actuality

Revenue triggers

Commercial license
Subscription
Support services
~~Other products/services~~
~~Software services~~
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
~~Open core~~
~~Open complement~~
~~Single open source~~
~~Assembled open source~~
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
~~Vendor~~
Community
Aggregate



Open core

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor

Foundation

Distributed

Withheld

End user licensing

Dual licensing

Open core

Open complement

Single open source

Assembled open source

Closed

Software license

Reciprocal

Permissive

Development model

Public

Private

Public/private

Vendor

Community

Aggregate



Open core (community controlled)

Revenue triggers

Commercial license
Subscription
Support services
~~Other products/services~~
~~Software services~~
~~Custom development~~
Advertising



End user licensing

Dual licensing
Open core
~~Open complement~~
~~Single open source~~
~~Assembled open source~~
Closed

Software license

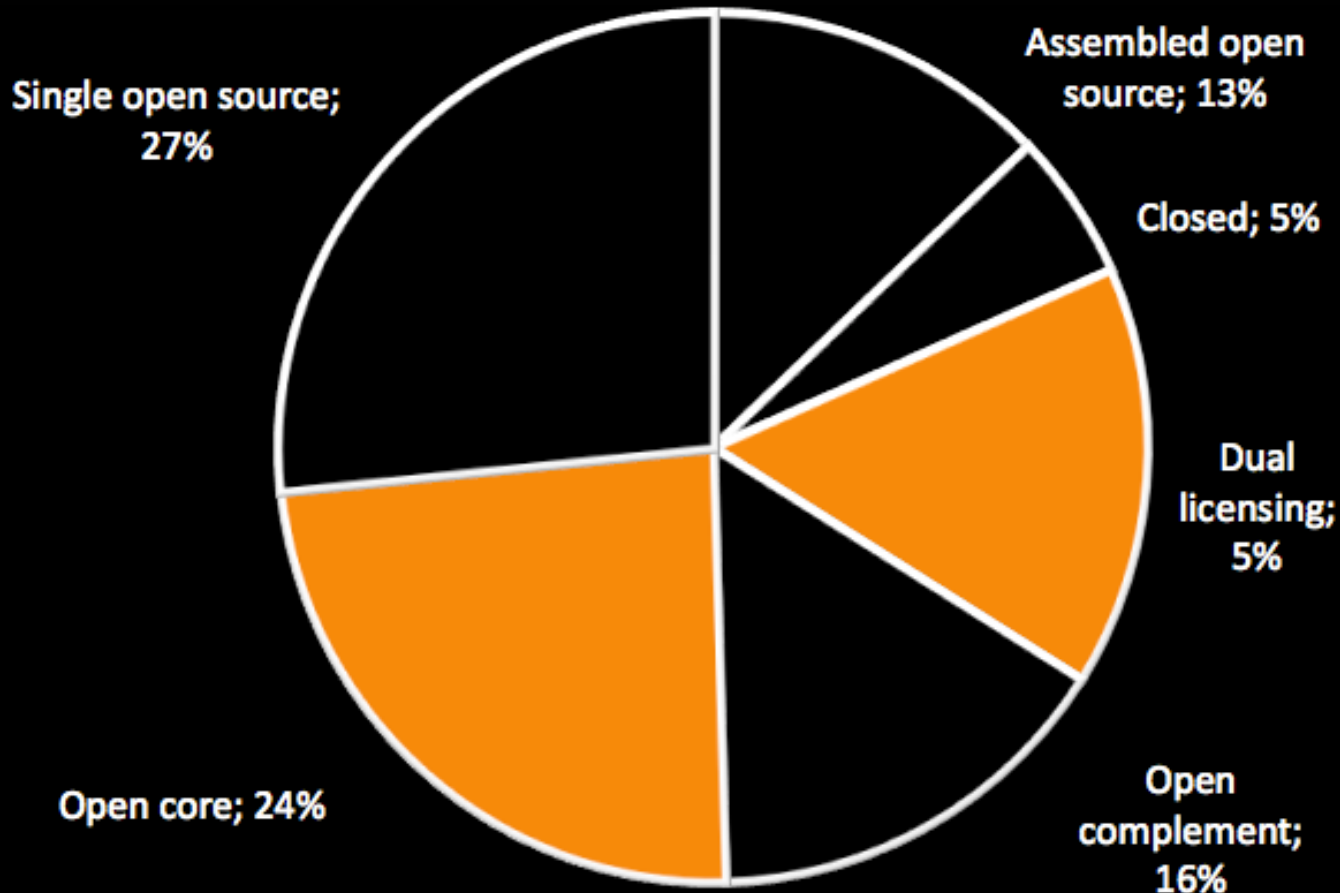
Reciprocal
Permissive

Development model

Public
Private
Public/private
~~Vendor~~
Community
Aggregate



End user licensing strategies 2008

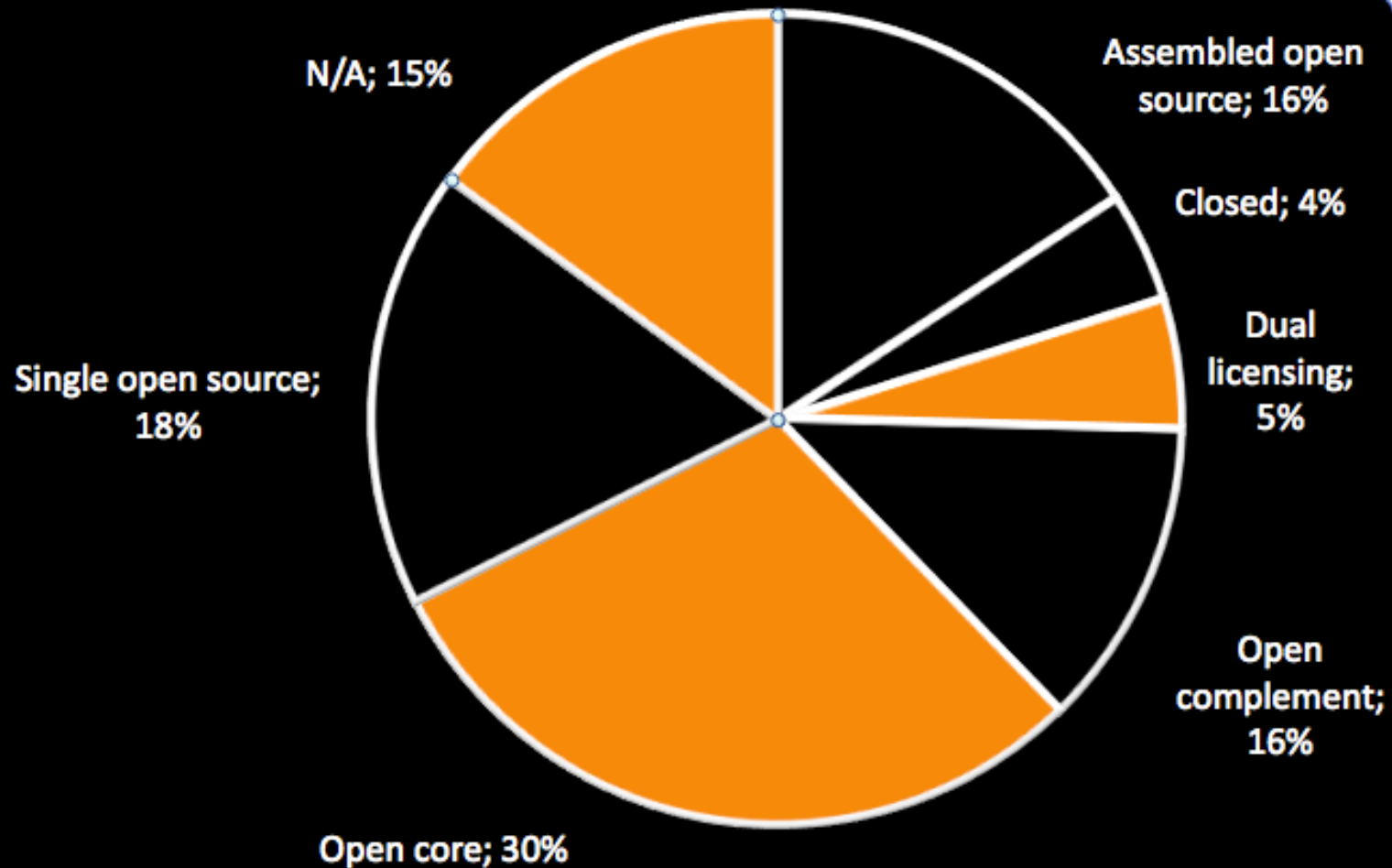


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Sample: 114 "open source vendors"

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End user licensing strategies 2010



the 451 group

Sample: 114 "open source vendors"

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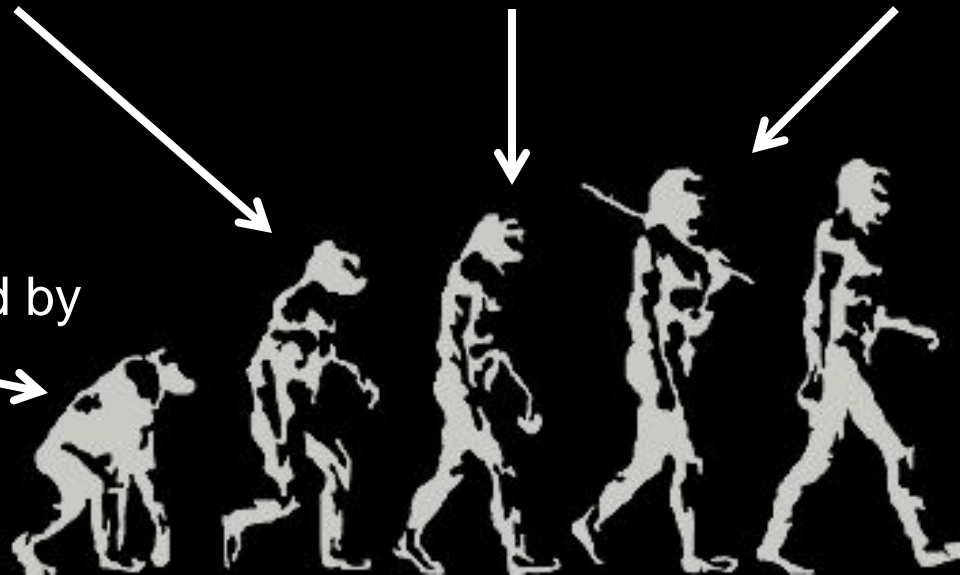
The evolution of open source business strategies

Stage 2.0: Vendors begin to engage with the existing developer communities.

Stage 3.0: Vendor-dominated open source development/distribution projects.

Stage 4.0 Vendor-dominated development communities.

Stage 1.0: Software developed by communities of individuals.



the 451 group

Proprietary or open source?

“I’m coming around to the idea that everything will be a blend of open source and proprietary software or services.”

Matt Asay



Open complement

Revenue triggers

Commercial license

Subscription

Support services

Other products/services

Software services

Custom development

Advertising

Copyright control

Vendor

Foundation

Distributed

Withheld

End user licensing

Dual licensing

Open core

Open complement

Single open source

Assembled open source

Closed

Software license

Reciprocal

Permissive

Development model

Public

Private

Public/private

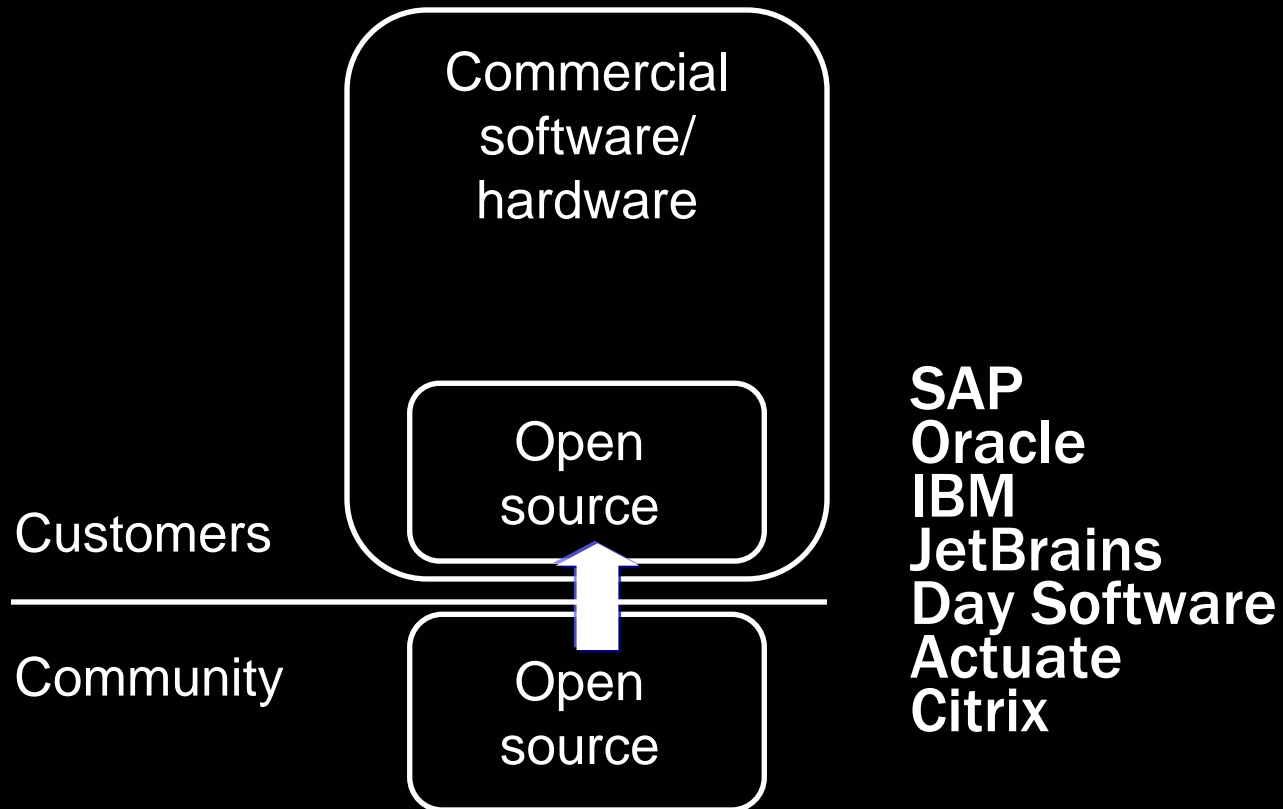
Vendor

Community

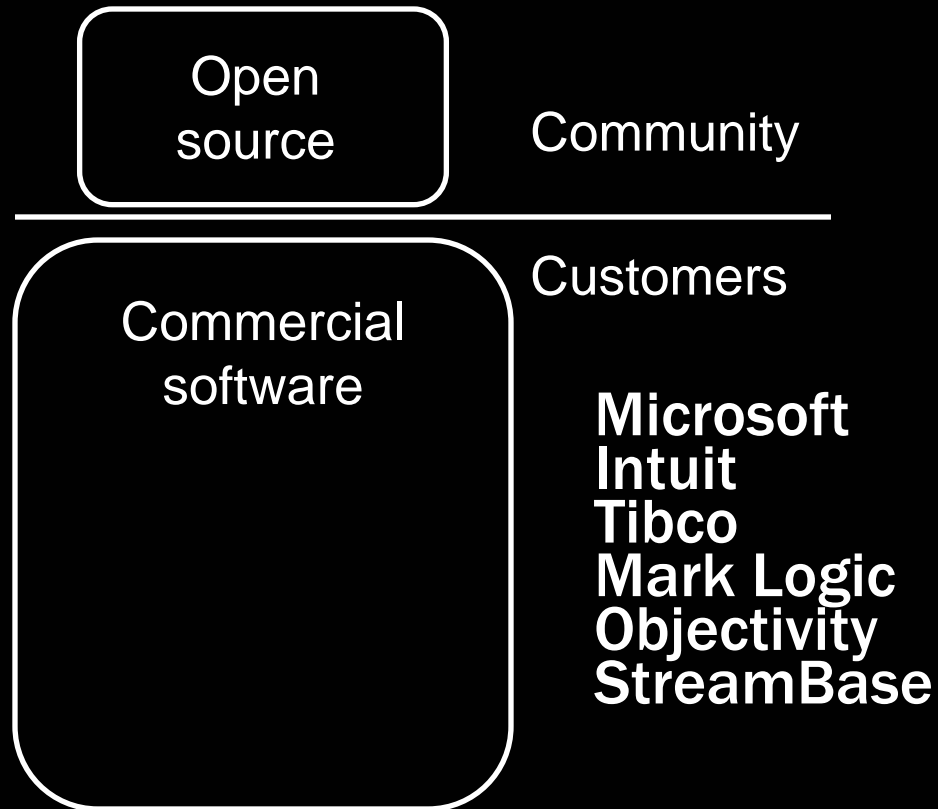
Aggregate



Open inside



Open edge



The evolution of open source business strategies

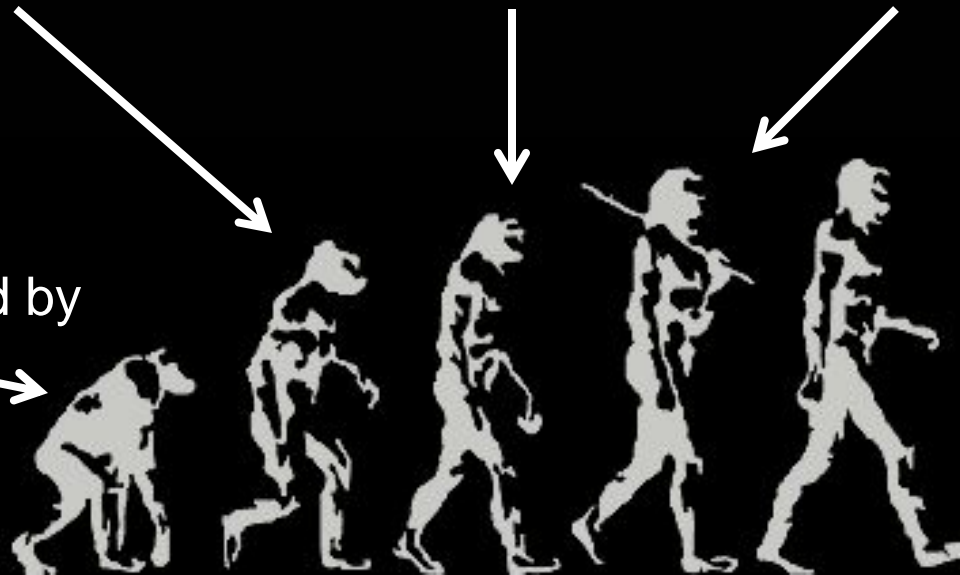
Stage 2.0: Vendors begin to engage with the existing developer communities.

Stage 3.0: Vendor-dominated open source development/distribution projects.

Stage 4.0 Vendor-dominated development communities.

Stage 5.0
The future of commercial open source strategies.

Stage 1.0:
Software developed by communities of individuals.



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Software or services?

“The industry has taken open source to one logical conclusion and has crowned ‘services’ as the only important software outcome... The cloud takes open source to its logical conclusion, crowning services as king, rather than fettering us to a discussion of software.”

Matt Asay



Google/Amazon/Twitter/Facebook

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising



End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Open source license trends

GPLv2 % of projects

07/09

50.6%

GPLv2 % of projects

03/10

48.9%



Source: Black Duck Software

Open source license trends

GPLv2 % of projects 07/09
50.6%

GPLv2 % of projects 03/10
48.9%

GPLv2 projects 07/09
93,730

GPLv2 projects 03/10
97,042



Source: Black Duck Software

Open source license trends

GPLv2 % of projects 07/09
50.6%

GPLv2 % of projects 03/10
48.9%

GPLv2 projects 07/09
93,730

GPLv2 projects 03/10
97,042

AGPLv3 projects 07/09
199

AGPLv3 03/10
231

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Source: Black Duck Software

Alfresco

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Coupa

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



Citrix GoToManage (Paglo)

Revenue triggers

Commercial license
Subscription
Support services
Other products/services
Software services
Custom development
Advertising

Copyright control

Vendor
Foundation
Distributed
Withheld

End user licensing

Dual licensing
Open core
Open complement
Single open source
Assembled open source
Closed

Software license

Reciprocal
Permissive

Development model

Public
Private
Public/private
Vendor
Community
Aggregate



From support services to software services

“Established vendors have adopted open source and cloud computing has changed the rules about how businesses adopt technology. The long-term opportunities are not in open source products and services, but products and services that are built on open source.”

The 451 Group



The future of open source business strategies

Update on open source
-related business strategies

Survey of 1,200 CAOS
user community members

Scheduled:
October 2010

Comments/suggestions:
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