

# Single-Vendor Open Source Firms

**Prof. Dr. Dirk Riehle**

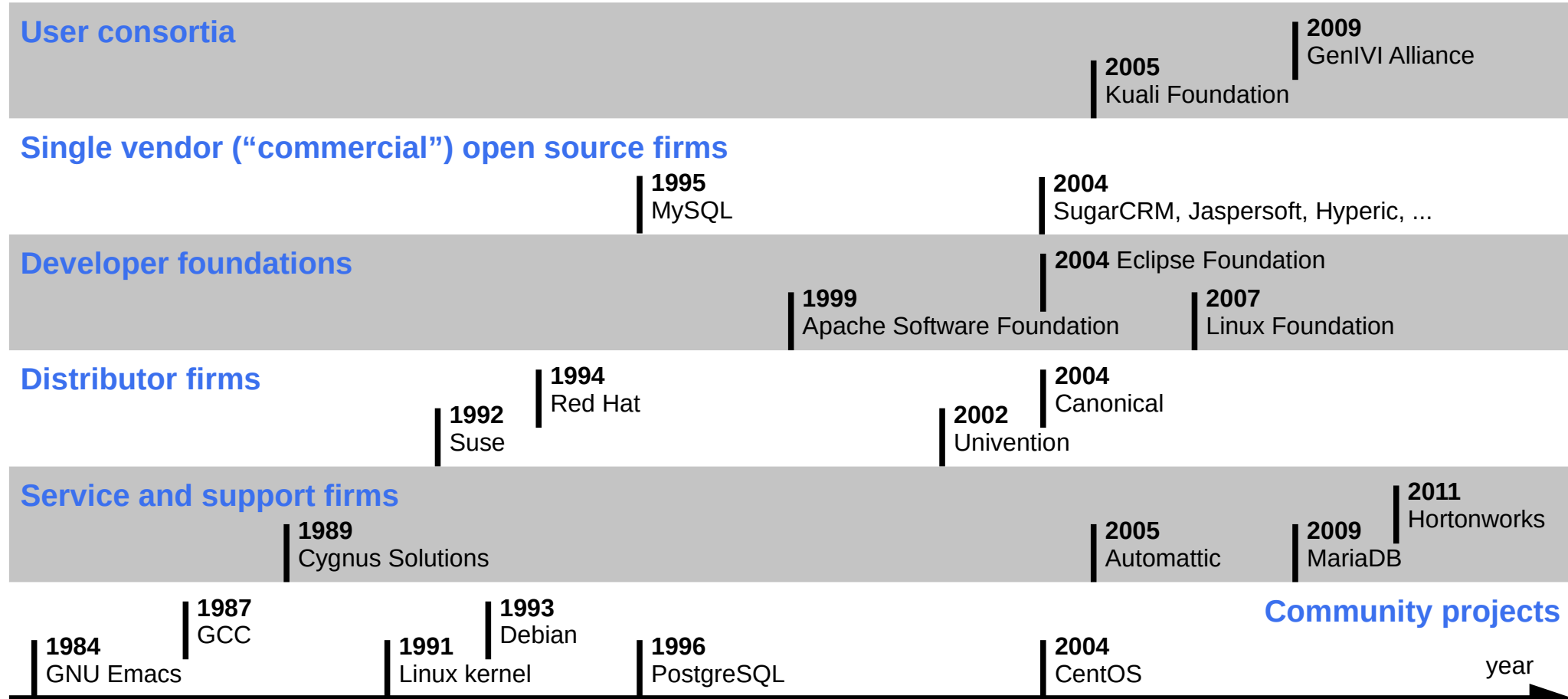
**Friedrich-Alexander University Erlangen-Nürnberg**

**FOSS C06**

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1. Legal innovation
2. Process innovation
3. Software tool innovation
4. **Business model innovation**

# Evolution of Open Source Projects (Recap)



# Open Source “Business Models” (Recap)

- Non-profit open source
  - **Community projects** without foundation
  - Open source **developer foundations**
  - Open source **user foundations**
- For-profit open source
  - **Service and support firms**
  - Open source **distributor firms**
  - **Single-vendor** open source **firms**

# Single-Vendor Open Source Project

- **A single-vendor open source project**
  - Is an open source project that is tightly controlled by one vendor
- Legally, the project may be open source
  - Practically, it is not: Rather it is a proprietary project
    - There is much more to an open source project than a license
  - Proprietary = One proprietor (owner)
- Single-vendor open source is the new proprietary source

# Single-Vendor Open Source Firms

- **A single-vendor open source firm**
  - Is the software vendor behind a single-vendor open source project
  - Owns and provides the project as its main product

# Examples of Single-Vendor Open Source Projects / Firms



## “Gartner Predicts” (2010)

“By 2012, at least 50% of direct commercial revenue attributed to open-source products or services will come from **projects under a single vendor’s patronage.**” [D10]



# Community vs. Commercial Edition

- **Community edition**
  - Core product provided under an open source license
- **Commercial edition** (a.k.a. professional or enterprise edition)
  - Whatever customers are willing to pay for, i.e.
    - Basic product, bundle of usage rights to
      - Core software under a commercial license, additional software
      - Guarantees and certifications
      - Support services
    - Whole product, i.e. basic product +
      - **Proprietary extensions**
      - Training and consulting
      - Operations
- Sometimes called the “open core” business model [L09]

# Jaspersoft Commercial Offering (2010) [WR13]

	Web Store	Direct Sales	
Open Source Community	<div>DOC</div> <div>INC</div> <div>UTIL</div>		<div>DOC</div> Documentation
Enterprise Customers		<div>LIC</div> <div>DOC</div> <div>UPD</div> <div>TRN</div> <div>UTIL</div> <div>24x7</div>	<div>INC</div> Incident-based support <div>UTIL</div> Utilities <div>LIC</div> Commercial license <div>UPD</div> Update service <div>TRN</div> Training ...
ISV/OEM		<div>LIC</div> <div>DOC</div> <div>UTIL</div> <div>TRN</div> <div>24x7</div>	<div>24x7</div> 24x7 hot-line

**“Some people spend time to save money,  
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# Original Single-Vendor Open Source

- Entrepreneur
  - Identifies market opportunity
  - Finds company
  - Acquires funding
- Company
  - Develops software from scratch
  - Goes to market by releasing software as open source
  - Maintains rights to intellectual property

# More Recent Single-Vendor Open Source

- Entrepreneur
  - Identifies market opportunity **around existing project**
  - Finds company
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- Company
  - Develops software by building **on community project**
    - **Where “building on” means**
      - Hires as many original developers as is possible
      - Develops product based on community project
  - Goes to market by releasing extensions as open source
  - Maintains proprietary rights to extensions

# Time-line of Single-Vendor Open Source

- Mid-1990 to early 2000
  - Early adopters, trailblazers
    - Sleepycat, MySQL, The Qt Company
- Mid-2000 to early 2010
  - Strategic adopters addressing markets ripe for disruption
    - SugarCRM, Jaspersoft, Mulesoft
- Since late 2000
  - Second-generation, around communities
    - Hadoop: Cloudera, MapR, Hortonworks

# NoSQL Databases and Firms



# Benefits of Open Source Approach

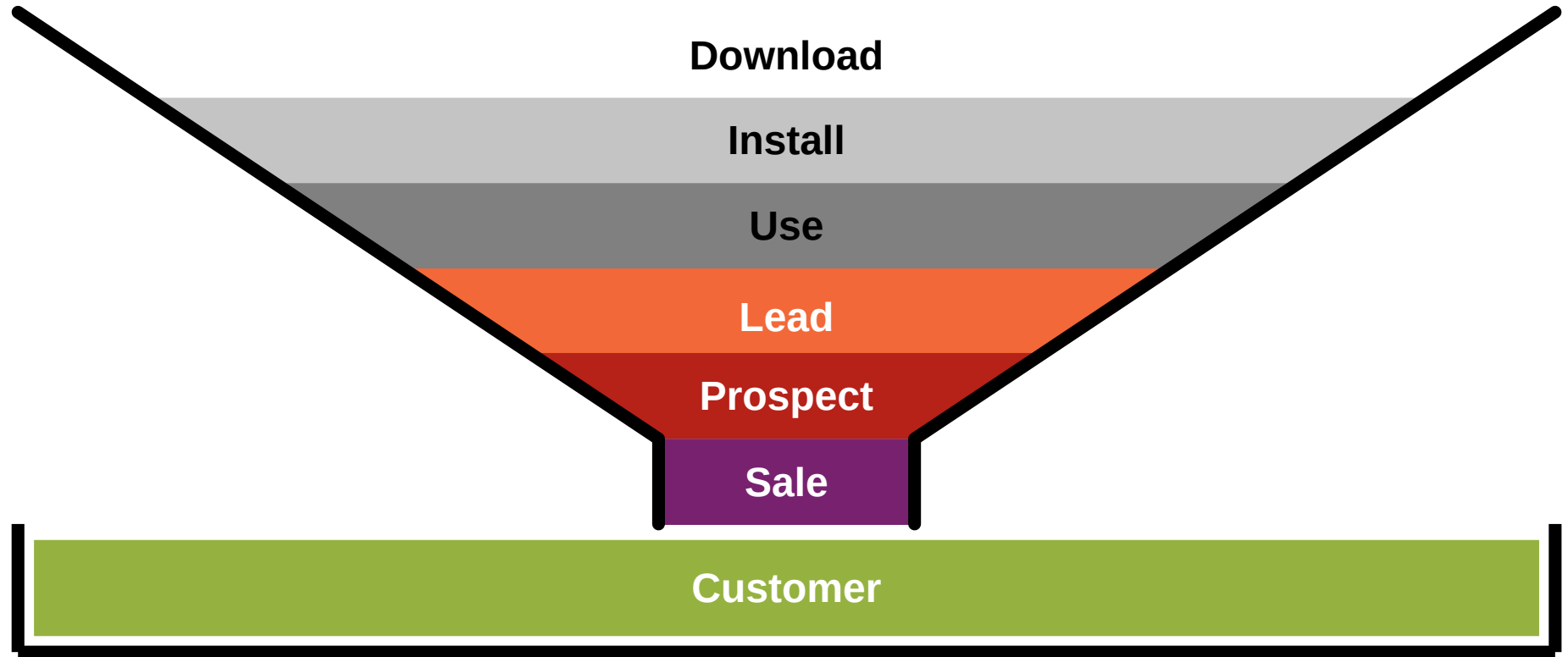
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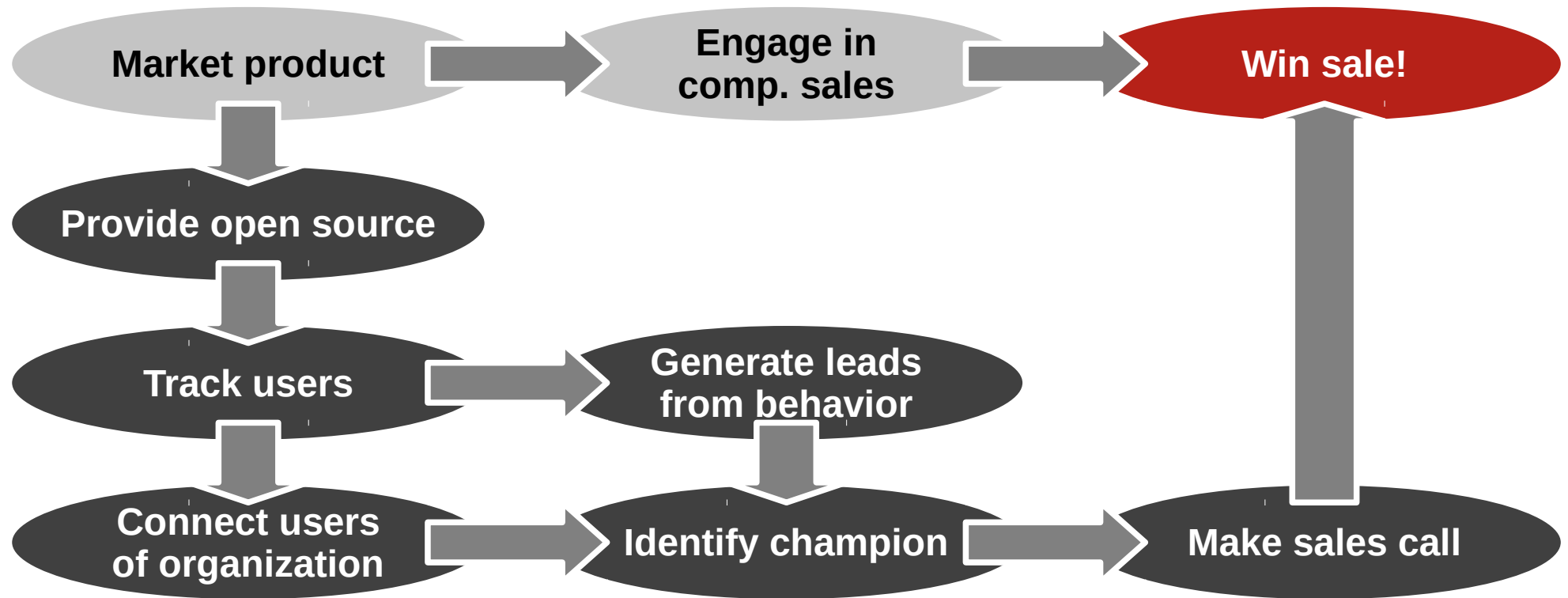
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- Marketing
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  - Community creates wider outreach than possible without
- Sales
  - Existing in-house use of product creates credibility
  - Sales is frequently aided by in-house champion

# Open Source Sales Funnel



# Open Source Sales Process





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**N. Nobby Akiha**

Senior Vice President, Marketing

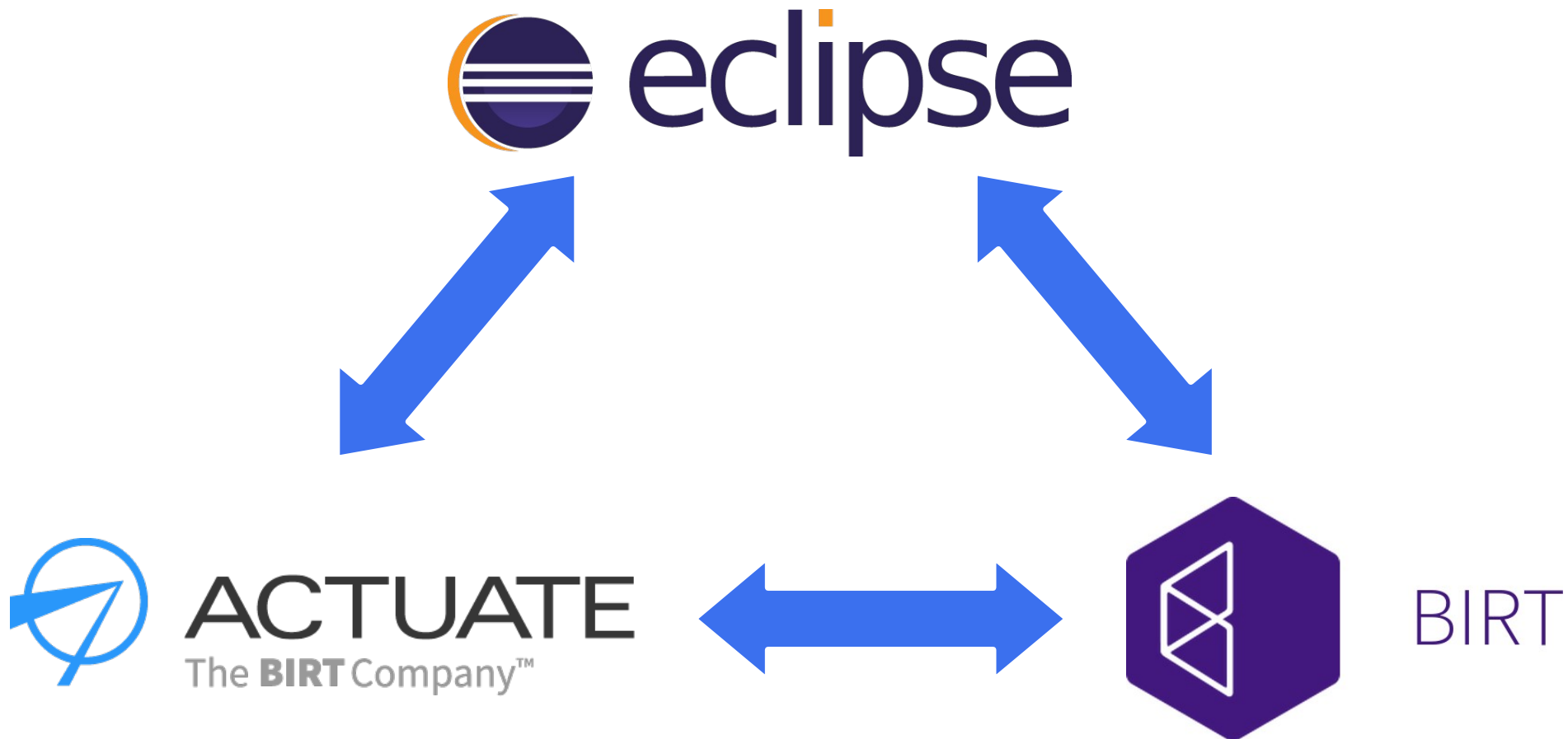
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# Using Foundations as a Marketing Channel



# Benefits to Business Development

- User innovation helps identify strategic partners
- Smart single-vendor firms set-up their own forge



## Talend Exchange

The Talend Exchange is where the community can share extensions to Talend's tools: components, connectors, jobs, templates, patterns, data models, and more!

[Read more...](#)



Tutorials



Forum

Exchange



Bugtracker



Babili



Meet the Talend Community Coders

### Numbers of

members currently logged in: 1  
new members this month: 4308  
posts on the forum today: 18  
posts on the forum this week: 486



### Components

Review all existing components, filtered by release and category. This list is updated in real time.

[Go there now!](#)



### Sources

The source code of Talend's open source solutions is available, directly in the source code repositories used by Talend's development teams.

[Go there now!](#)



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Direct access to the issues reporting and tracking system used by Talend's Development Team.

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"Talend offers innovative projects and robust products enabling managers to control their channels of information and business processes."

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# Benefits to Product Management

- A well-working community
  - Provides fast and direct feedback
  - Provides alternative solutions, ideas
  - Explores extensions, niche markets for free
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# Challenge to Product Management

- Community Version

- Home user
  - Will never pay money
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- Line-of-business user
  - Likes \$0 line-items
  - Somewhat ignorant of risks

- Commercial Product

- Enterprise customer
  - Is willing to pay
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- Internal IT department
  - Has appropriate budget
  - Wants professional support



# Benefits to Software Development

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  - Helps explore design decisions, develops prototypes to learn from
  - Serves as a recruiting source

**“Source code [is just] 10% of the effort.” [L07]**

# Costs of Open Source Approach

- Additional costs in
  - Software development
  - Intellectual property management
  - Community management
- Benefits outweigh the costs

# Operating Expenses of a Software Vendor [C12]

	2011 (\$m)	Percentage
<b>Revenues</b>	\$1.657	100%
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## Single-Vendor Open Source

\$

IP

Open Source  
Community

# Intellectual Property Management

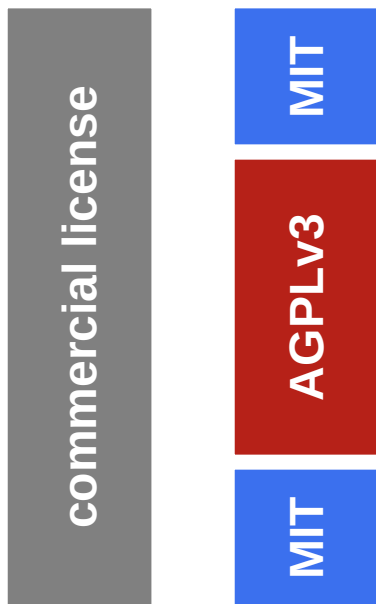
- Intellectual property rights imperative [R09]
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- Use reciprocal license to keep competition away
  - Almost all single-vendor-owned commercial open source is provided under a reciprocal license, typically the AGPL v3
- Use contributor agreement to maintain ownership
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# Application vs. Component Single-Vendor Open Source

- Application vendors usually dual-license
  - AGPLv3-only to drive adoption by **enterprise users**
  - Commercial license for paying customers
- Component vendors currently multi-license
  - Permissively licensed open source to drive adoption by **application developers**
    - AGPLv3-only for software core to keep competition away
    - Permissive open source license for component adapters / connectors / client libraries to drive adoption
  - Commercial license for paying customers
- How to handle competition from cloud computing providers?

# Solving the Component Vendor Conundrum with Triple Licensing

## Dual-licensing (old)



1

2



## Triple-licensing (new)



1

2

3



# Control Mechanisms [R11a] [A10b]

- Copyright
- Trademarks
- Domains

# Steering Mechanisms

- Social leadership
- Development process
- Strategic positioning

# Community Management

- Community management
  - Is a business function tasked with
    - Creating, growing, and maintaining
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  - Is a role (but often now a full-time position)
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# Community Proportions

<b>Passive Consumers</b>	<b>100- 10000x</b>
<b>Active Users</b>	<b>10- 500x</b>
<b>Firm Employees</b>	<b>1</b>

# Revenue Proportions

<b>Non-paying Users</b>	<b>0%</b>
<b>Webstore Sales</b>	<b>0-1%</b>
<b>Enterprise Sales</b>	<b>99- 100%</b>

**Key Partners**

**Key Re-  
sources**

**Key  
Activities**

**Value  
Proposition**

**Channels**

**Customer  
Relationships**

**Customer Segments**

**Cost Structure**

**Revenue Streams**

# Responsibilities and Challenges

- Create community
  - Pull members on board
  - Make members return, stay
- Grow community
  - Lead community to help each other
  - **Enable self-sustaining growth**
- Manage community
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# Life-cycle of Single-Vendor Firms

- Early years
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- Growth years
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- Maturity
  - Increased closing of product



# Commercial Forks

**Compiere**<sup>®</sup>



**Nagios**<sup>®</sup>



# Review / Summary of Session

- Single-vendor firms
  - Definition and history
  - Benefits and challenges
  - Life-cycle of firms and products

# Thank you! Questions?

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- Contributions
  - ...

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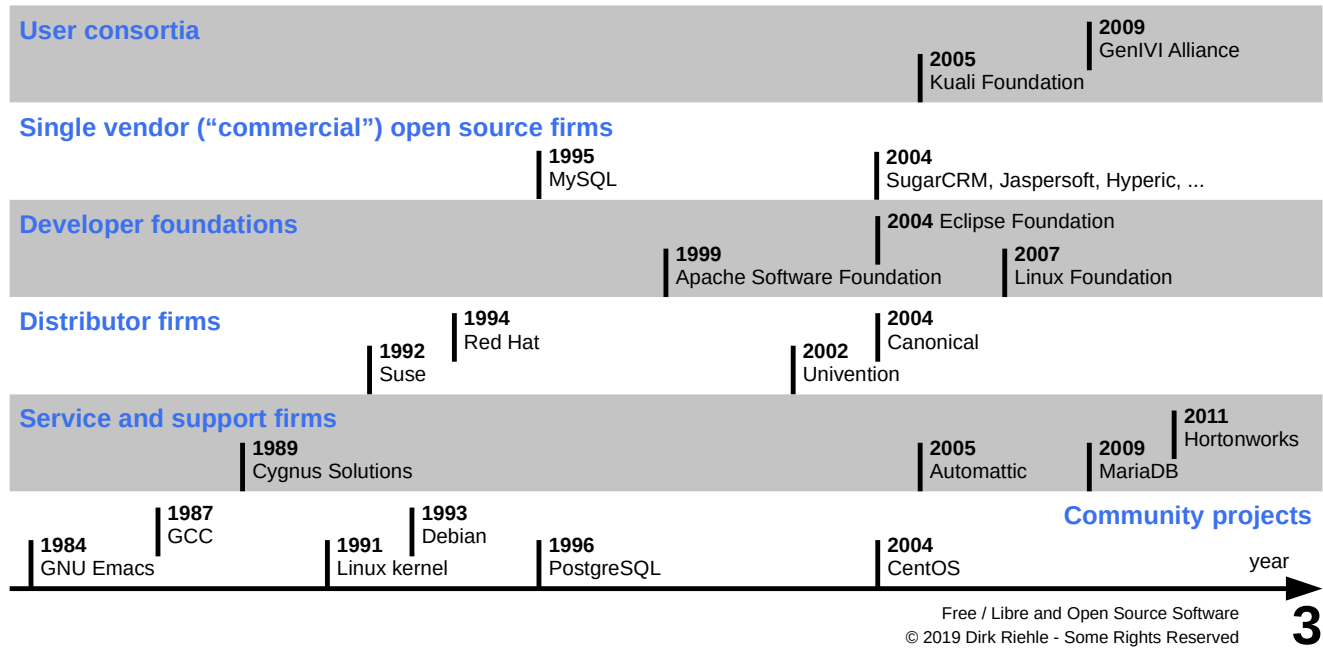
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It is Friedrich-Alexander University Erlangen-Nürnberg – FAU, in short.  
Corporate identity wants us to say “Friedrich-Alexander University”.

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## Why Pay for Open Source Products?

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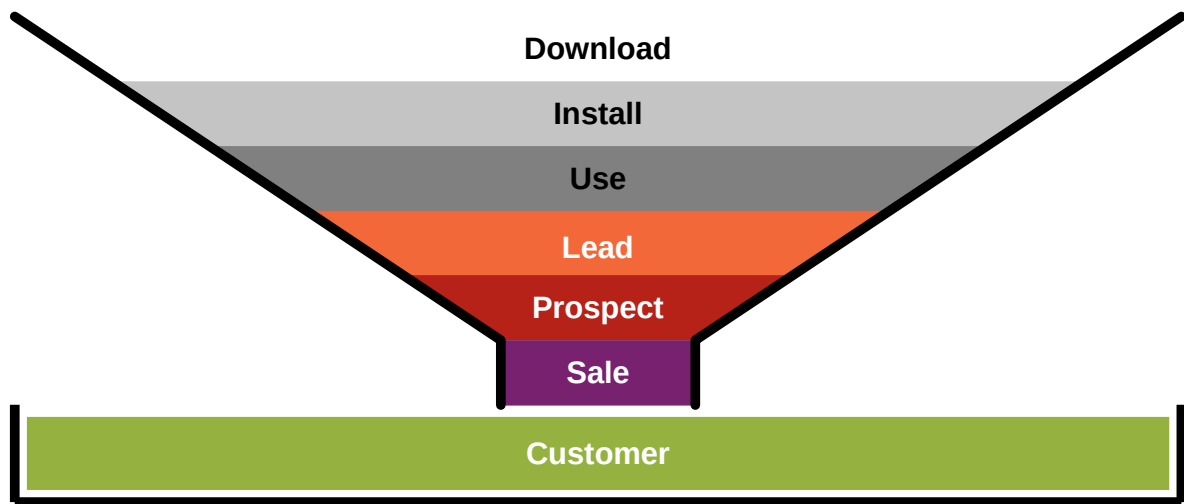
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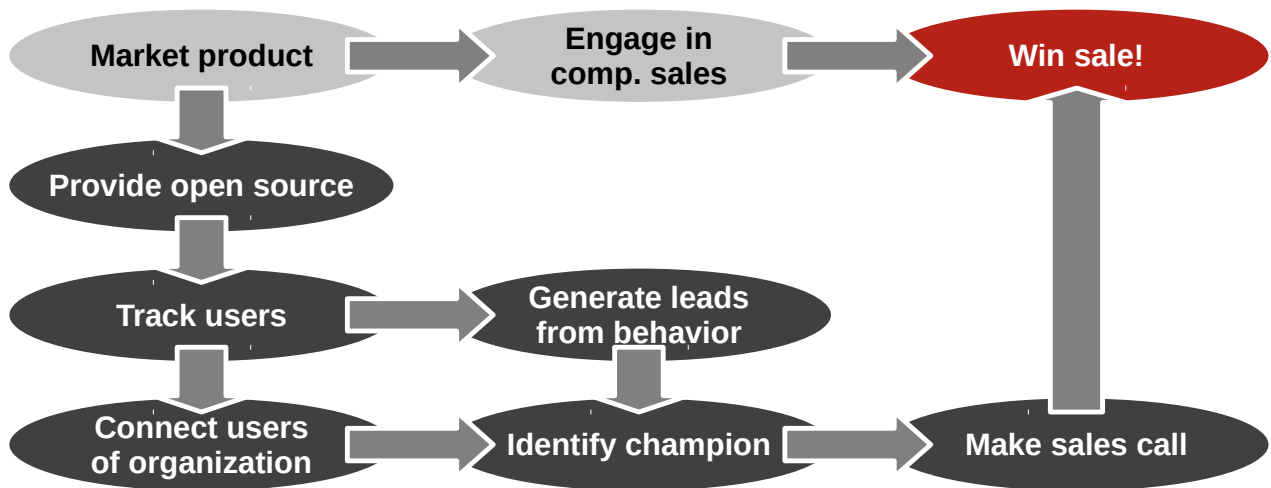
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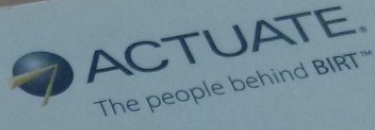
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Senior Vice President, Marketing

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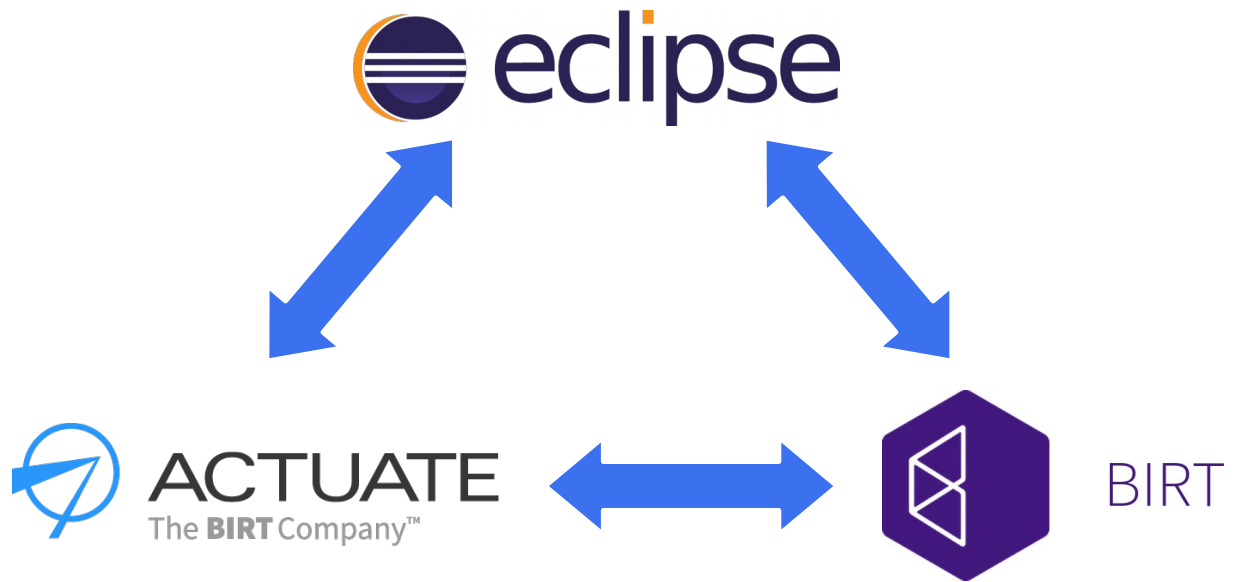
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## Using Foundations as a Marketing Channel



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## Costs of Open Source Approach

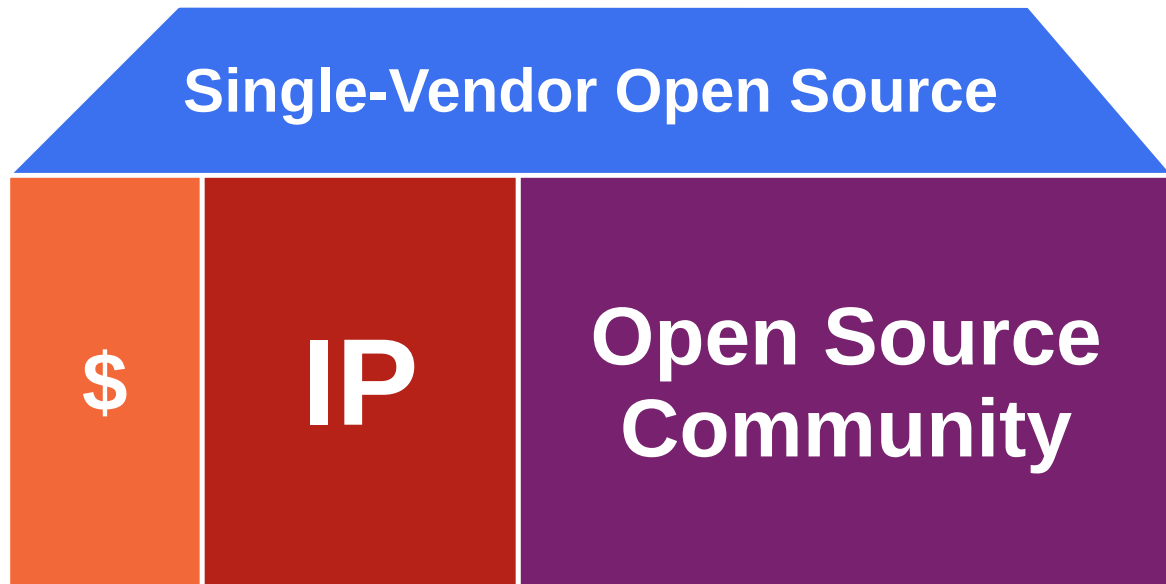
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## Approach Requires New Capabilities



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## Intellectual Property Management

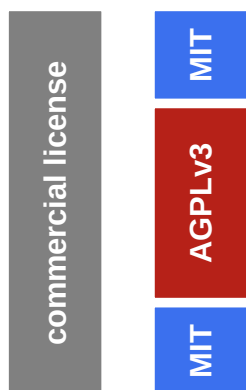
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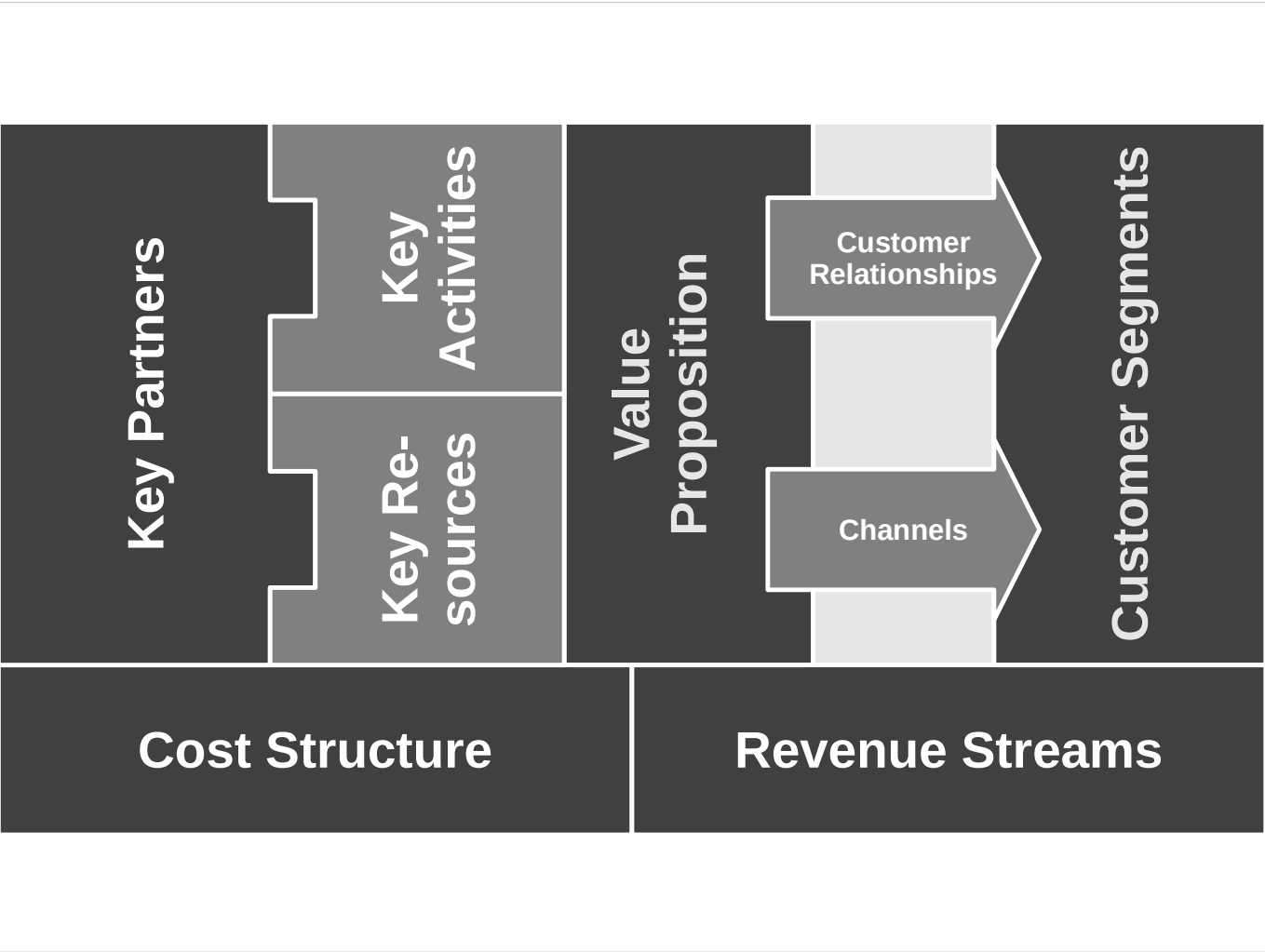
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**Compiere**<sup>®</sup>



**Nagios**<sup>®</sup>



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**41**

## Review / Summary of Session

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  - Definition and history
  - Benefits and challenges
  - Life-cycle of firms and products

# Thank you! Questions?

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- Contributions
  - ...