

Single-Vendor Open Source Firms

Prof. Dr. Dirk Riehle

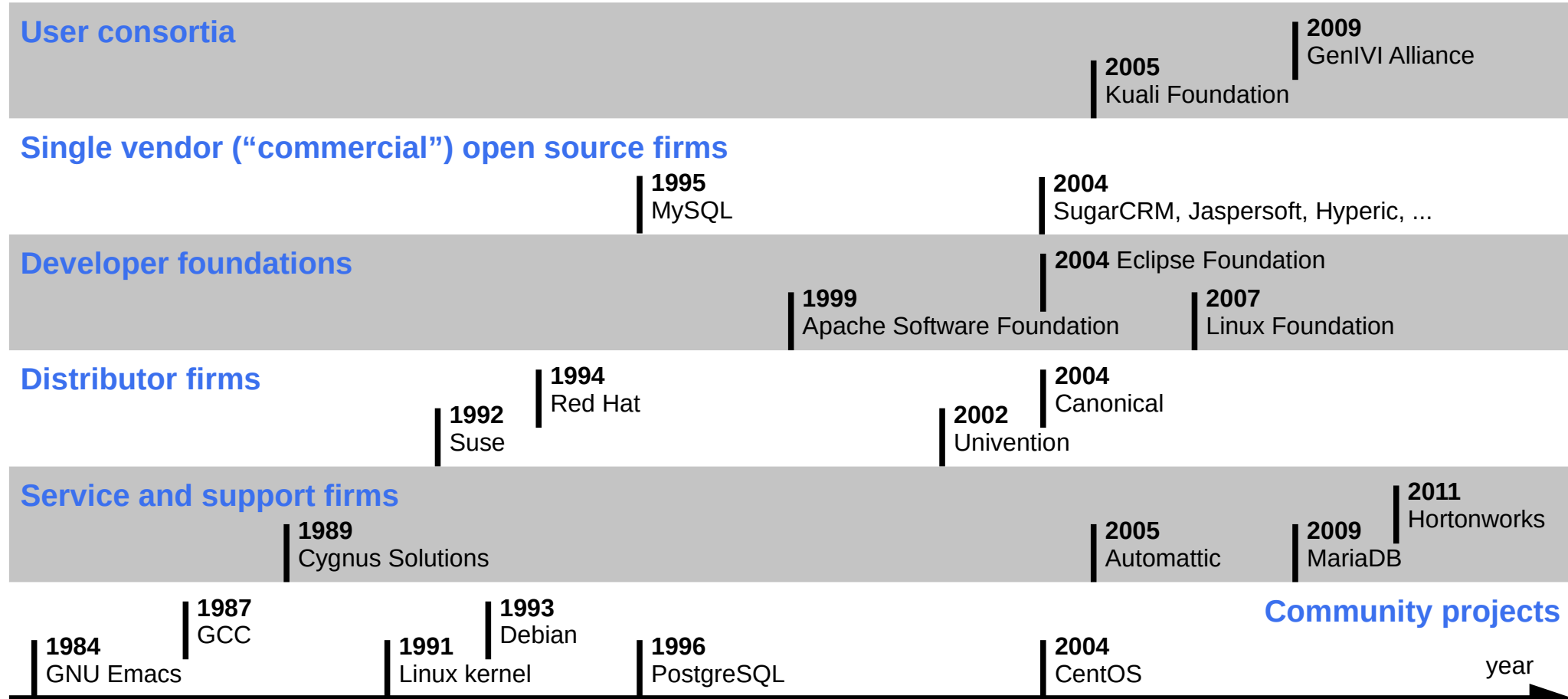
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FOSS C06

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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	DOC INC UTIL		DOC Documentation
Enterprise Customers		LIC UPD UTIL DOC TRN 24x7	INC Incident-based support
ISV/OEM		LIC UTIL DOC TRN 24x7	UTIL Utilities
			LIC Commercial license
			UPD Update service
			TRN Training
			...
			24x7 24x7 hot-line

**“Some people spend time to save money,
some spend money to save time.” [M10a]**

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
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NoSQL Databases and Firms



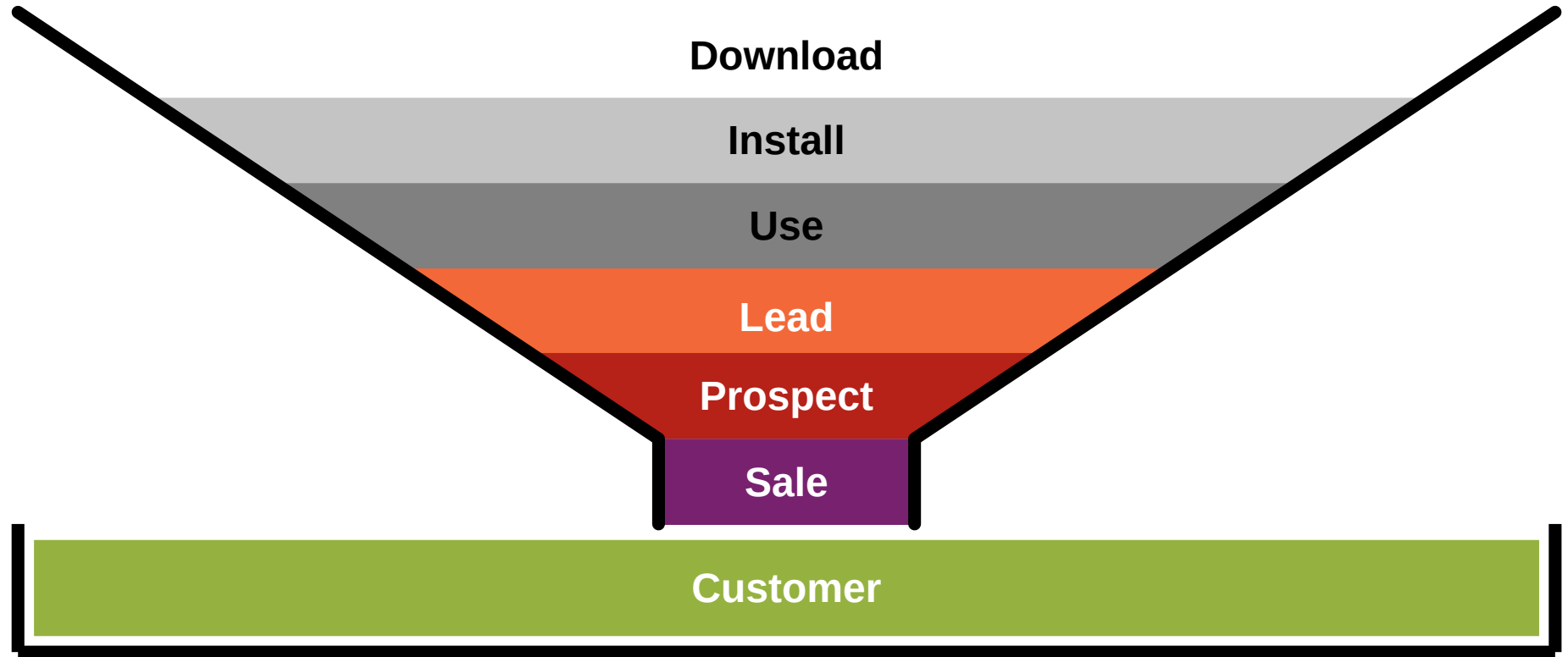
Benefits of Open Source Approach

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 - Market faster, sell more effectively
 - Business development
 - Identify partner opportunities better
 - Product management
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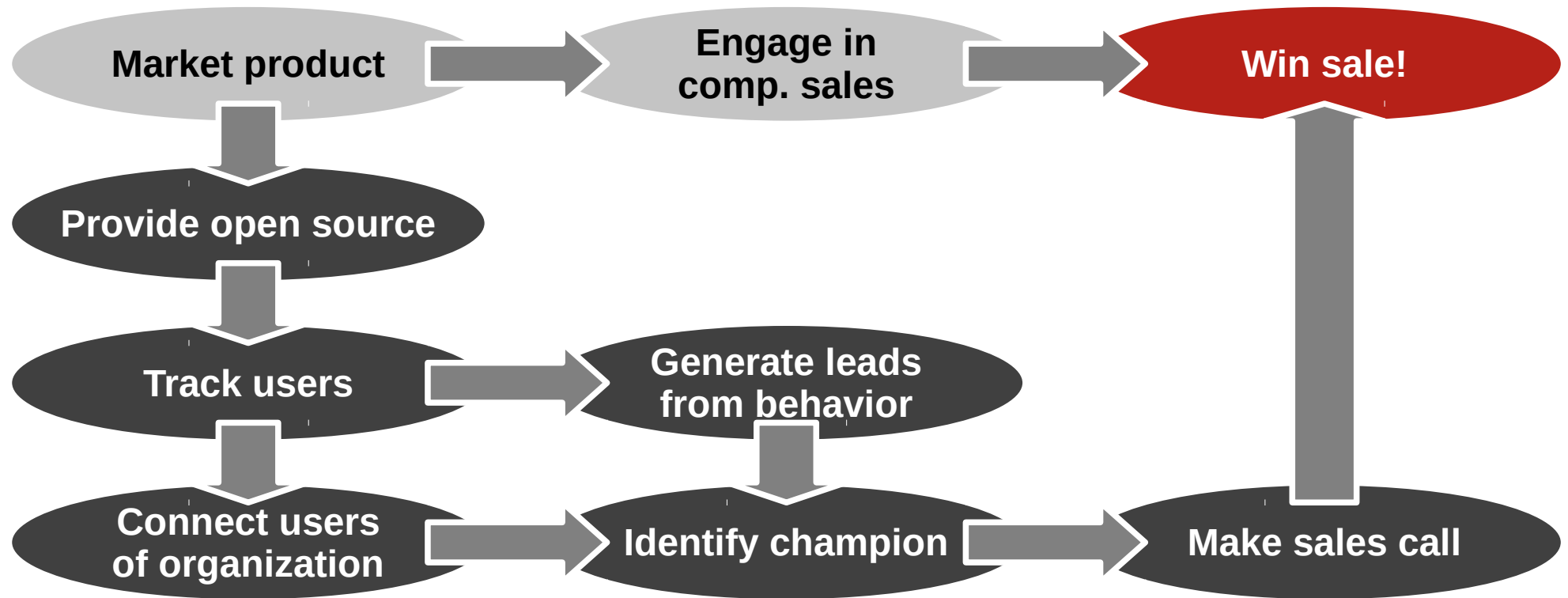
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- Marketing
 - Community word-of-mouth evangelizes product
 - Community creates wider outreach than possible without
- Sales
 - Existing in-house use of product creates credibility
 - Sales is frequently aided by in-house champion

Open Source Sales Funnel



Open Source Sales Process





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N. Nobby Akiha
Senior Vice President, Marketing

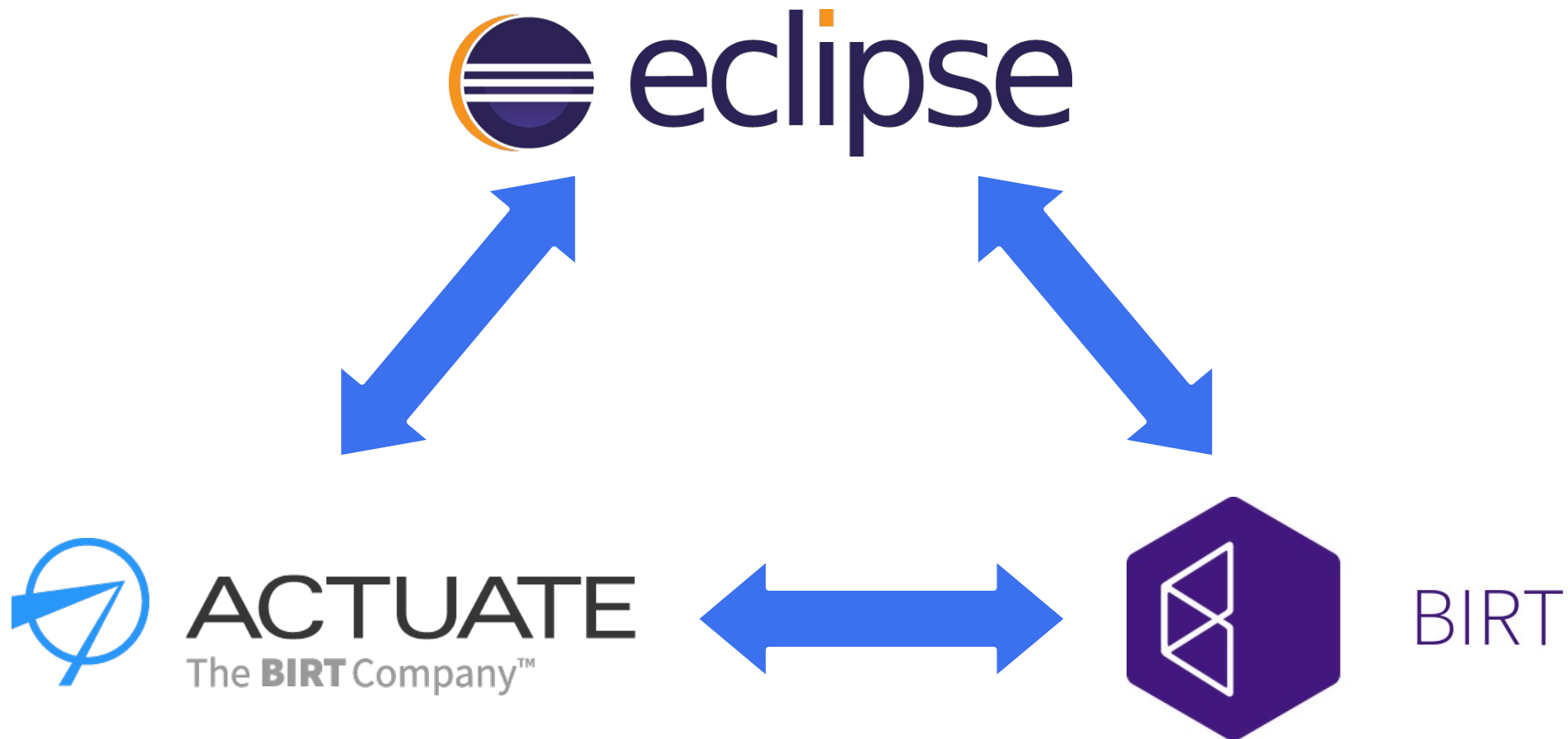
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Using Foundations as a Marketing Channel



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

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Bugtracker



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Meet the Talend Community Coders

Numbers of

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Components

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

[Go there now!](#)



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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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Highlighted Community Member



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

Laurent Bennati

Benefits to Product Management

- A well-working community
 - Provides fast and direct feedback
 - Provides alternative solutions, ideas
 - Explores extensions, niche markets for free
 - Signals new needs, strategic alliances

Challenge to Product Management

- Community Version

- Home user
 - Will never pay money
 - But pays with time, feedback
- Line-of-business user
 - Likes \$0 line-items
 - Somewhat ignorant of risks

- Commercial Product

- Enterprise customer
 - Is willing to pay
 - Requires enterprise features
- Internal IT department
 - Has appropriate budget
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Benefits to Software Development

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 - Finds bugs fast, sometimes provides fix, ultimately lowers costs
 - 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
Revenues	\$1.657	100%
Subscription and Support	\$1.551	94%
Professional Services etc.	\$106	6%
Cost of Revenues	\$324	20%
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Gross Profit (and Gross Margin)	\$1.333	80%
Operating Expenses		
Research and Development	\$188	11%
Sales and Marketing	\$792	48%
General and Administrative	\$256	15%
Total Operating Costs	\$1.236	74%
Operating Profit (and Operating Margin)	\$97	6%

Single-Vendor Open Source

\$

IP

Open Source
Community

Intellectual Property Management

- Intellectual property rights imperative [R09]
 - “Always act in such a way that you, and only you, possess the right to provide the open source project under a license of your choice.”
- 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
 - Almost all single-vendor open source firms require copyright transfer for any contributions to maintain full IP ownership

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
 - A **self-sustaining** open source community
 - Around the vendor's products
- Community manager
 - Is a role (but often now a full-time position)
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Community Proportions

Passive Consumers	100- 10000x
Active Users	10- 500x
Firm Employees	1

Revenue Proportions

Non-paying Users	0%
Webstore Sales	0-1%
Enterprise Sales	99- 100%

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
 - Maintain community peace
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Life-cycle of Single-Vendor Firms

- Early years
 - Full fair open source play
- Growth years
 - Full fair open source play
- Maturity
 - Increased closing of product

Commercial Forks

Compiere[®]



Nagios[®]



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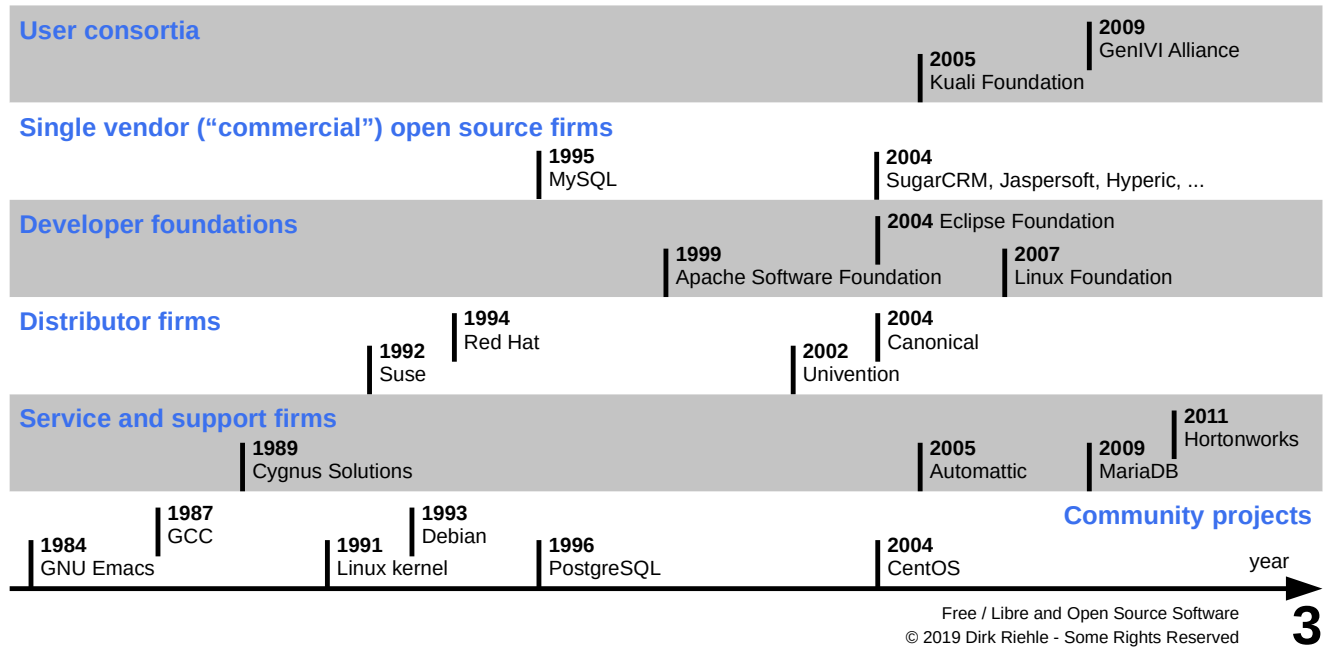
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It is Friedrich-Alexander University Erlangen-Nürnberg – FAU, in short.
Corporate identity wants us to say “Friedrich-Alexander University”.

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Why Pay for Open Source Products?

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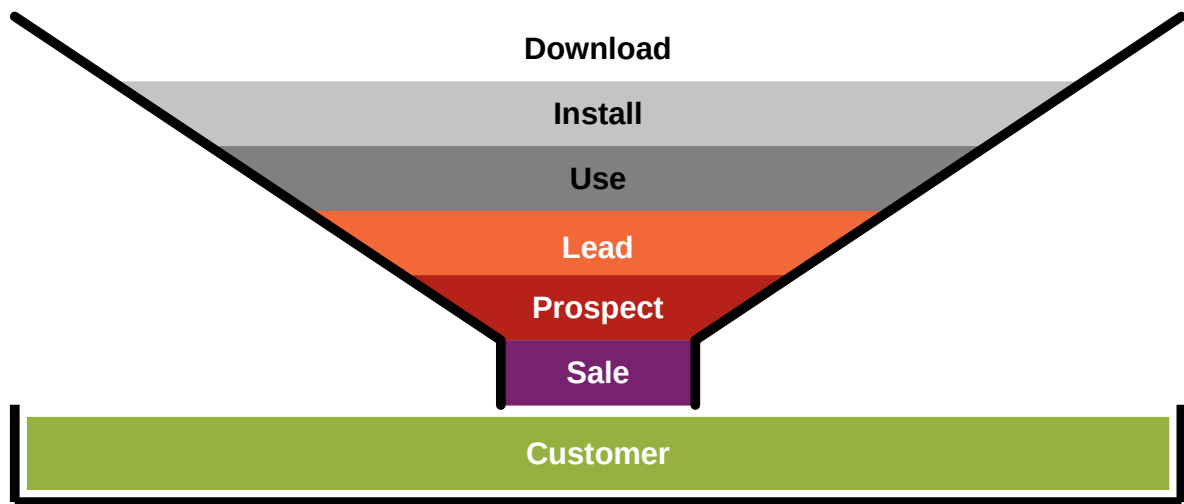
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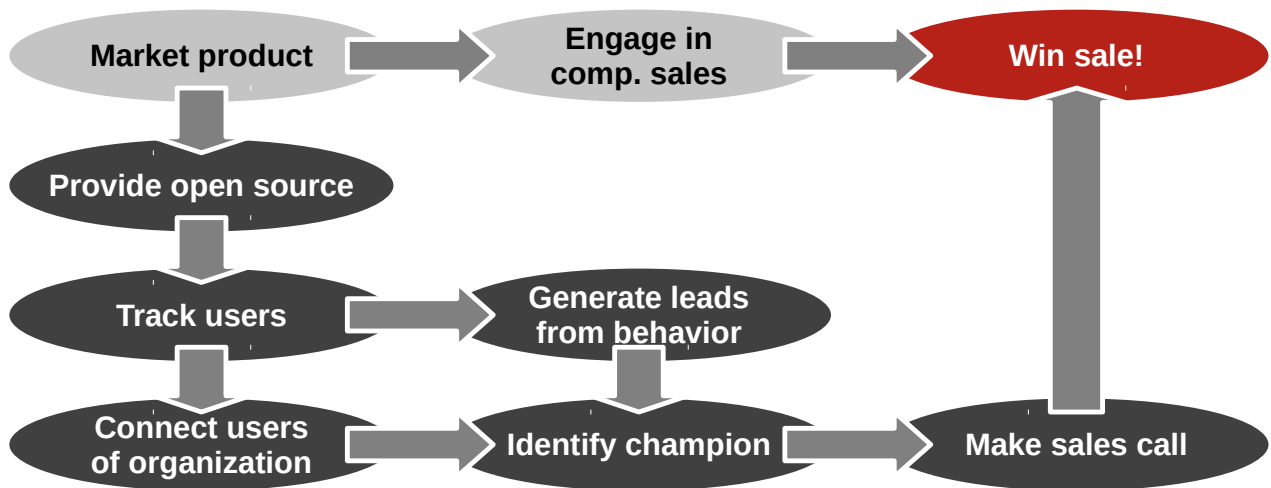
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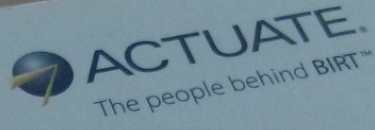
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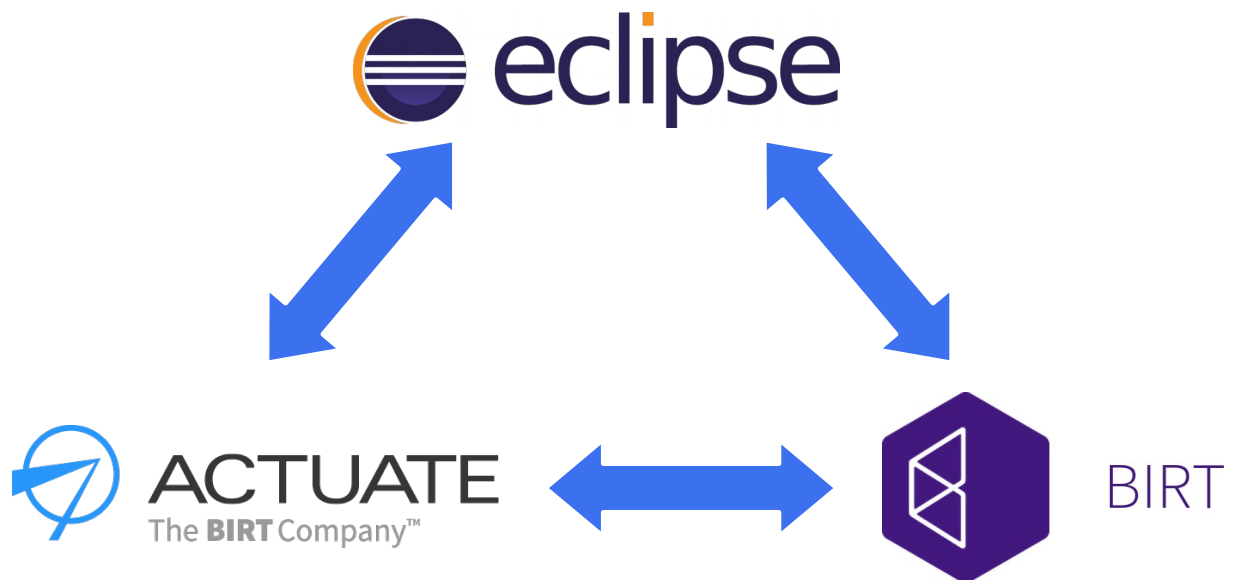
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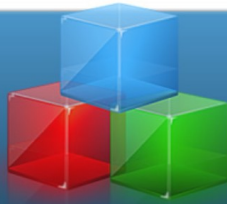
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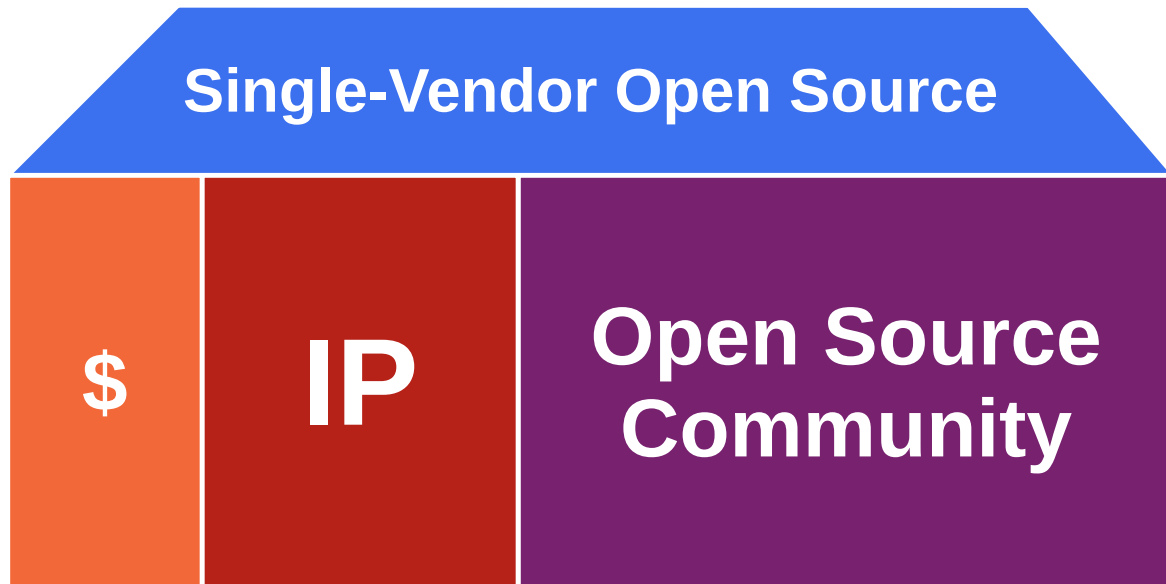
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Approach Requires New Capabilities



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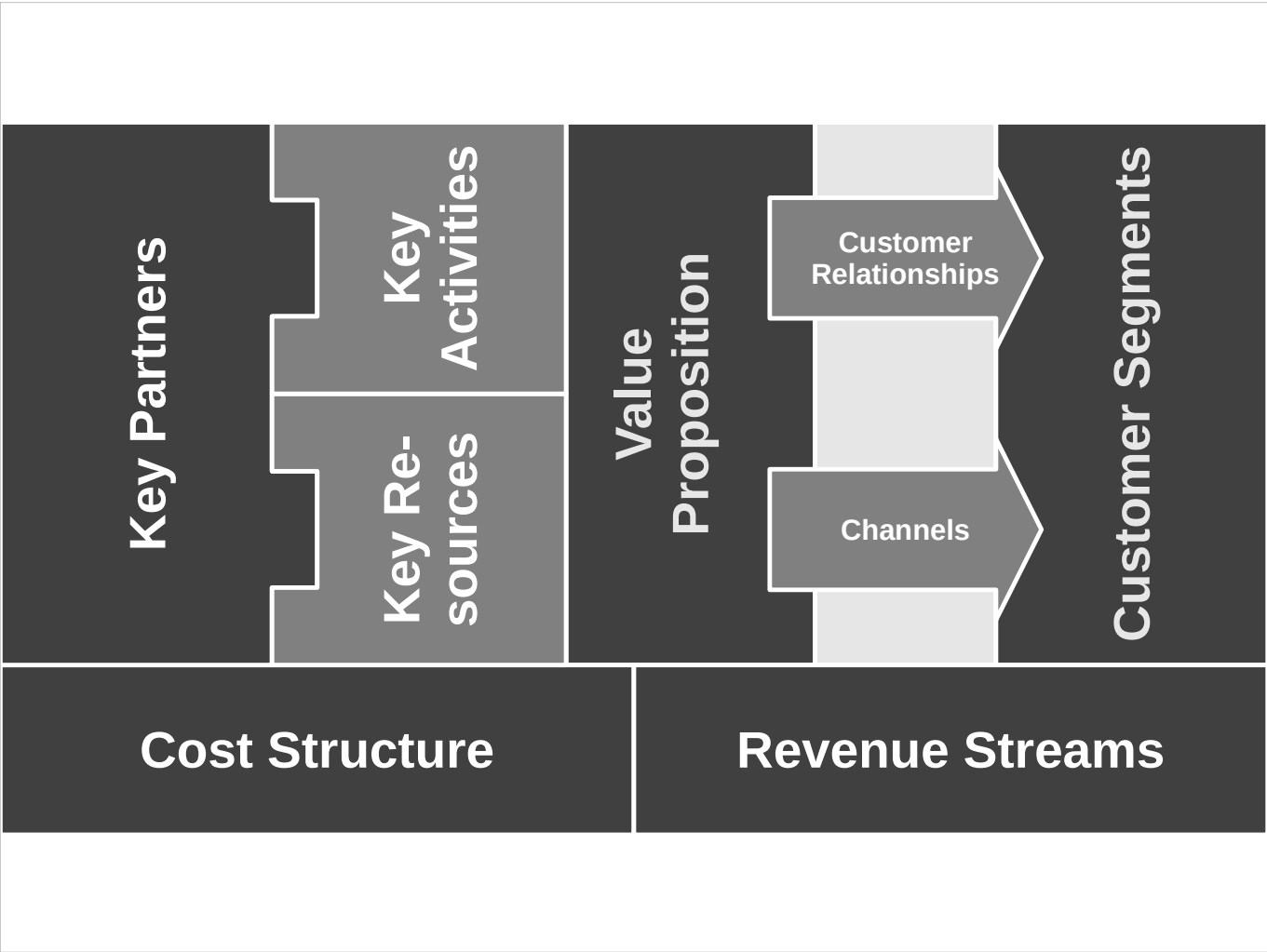
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 - Definition and history
 - Benefits and challenges
 - Life-cycle of firms and products

Thank you! Questions?

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