



Open source is not a business model

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Eclipse Open Source Executive Strategy Summit

March 26, 2009 • Santa Clara Convention Center • Santa Clara



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About The 451 Group

- Independent technology industry analyst company
- Focused on the business of enterprise IT innovation
- 700+ customers across
 - Vendors
 - Investors (150 VCs and 80 Investment Banks)
 - Service-providers (SIs, consulting, etc.)
 - End users
- Offices in New York (HQ), Boston, London, SF
 - 80+ total employees w/ 35+ analysts

451 CAOS Research Service

- Commercial Adoption of Open Source
- The impact of open source on software vendors, end users, and investors
 - 451 CAOS Reports = comprehensive 'big-idea' reports
 - 451 CAOS Analyst Access = advisory interaction with 451 open source analysts
 - 451 CAOS Insight Update = e-mail with links to recent 451 open source research
 - 451 CAOS Theory = a blog for the enterprise open source community
 - 451 CAOS podcast = bi-weekly podcast with analysis of key current marketplace developments
 - 451 CAOS Links live = latest news and views @caostheory

Open source is not a business model

How do vendors generate revenue from open source software?

Published:
October 2008

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Report methodology/key findings

- Analysis of 114 open source-related vendors
- Based on ongoing coverage, survey, interviews
- Categorized business strategies based on:
 - license choice
 - development model
 - vendor licensing strategy
 - revenue trigger
- Most vendors utilize some form of commercial licensing to distribute, or generate revenue from, open source software
- Half combine code developed via open source projects with software developed out-of-sight of open source project members

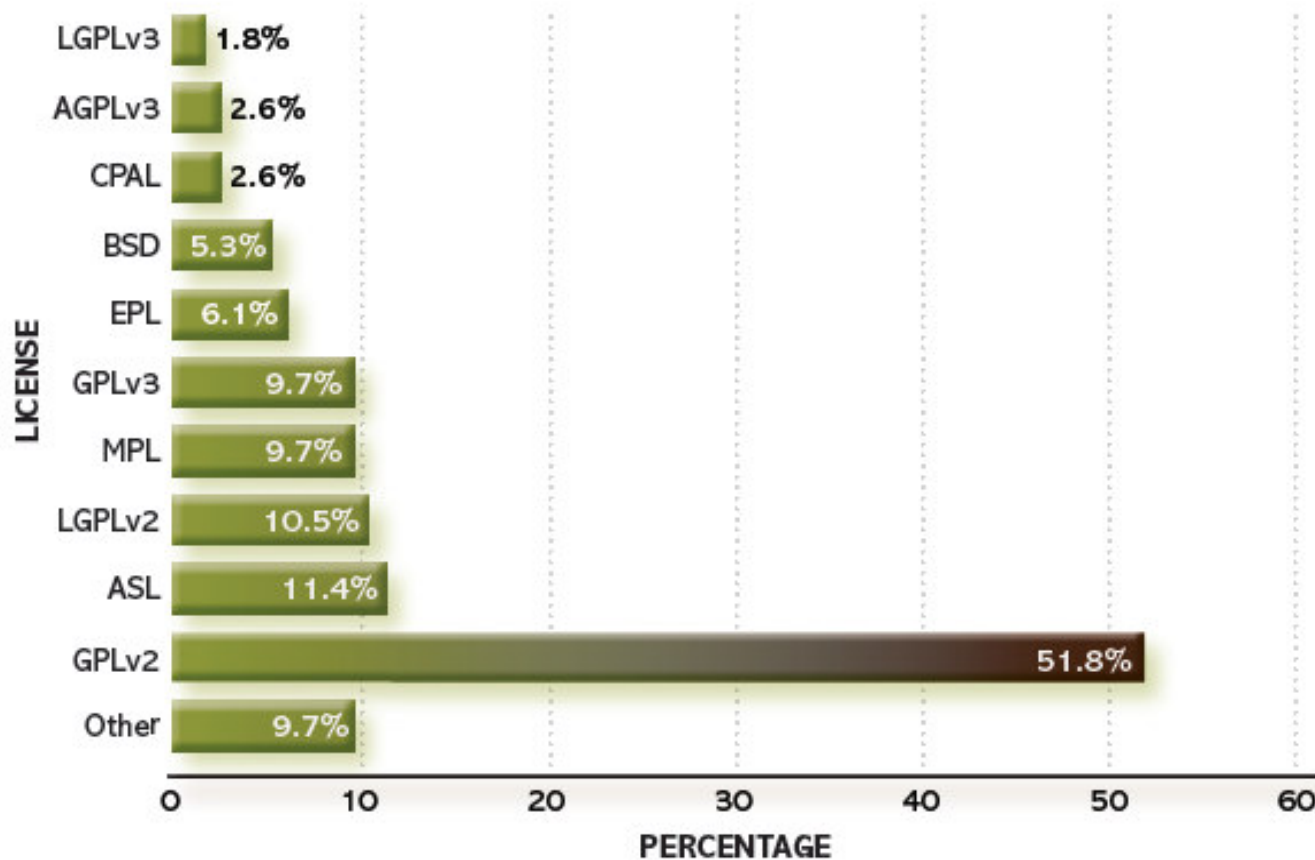
Further key findings

- Vendors using hybrid development and licensing models balance higher development and marketing costs with increased revenue-generation opportunities
- The license used for an open source project (reciprocal or permissive) has a strong influence on development, vendor licensing and revenue-generation strategies.
- The line between closed and open source has blurred as FOSS is embedded in proprietary products and commercial extensions have been added to FOSS

Categorizing open source

- Software license choice
- Development model
- Vendor licensing strategy
- Revenue triggers

Software license choice

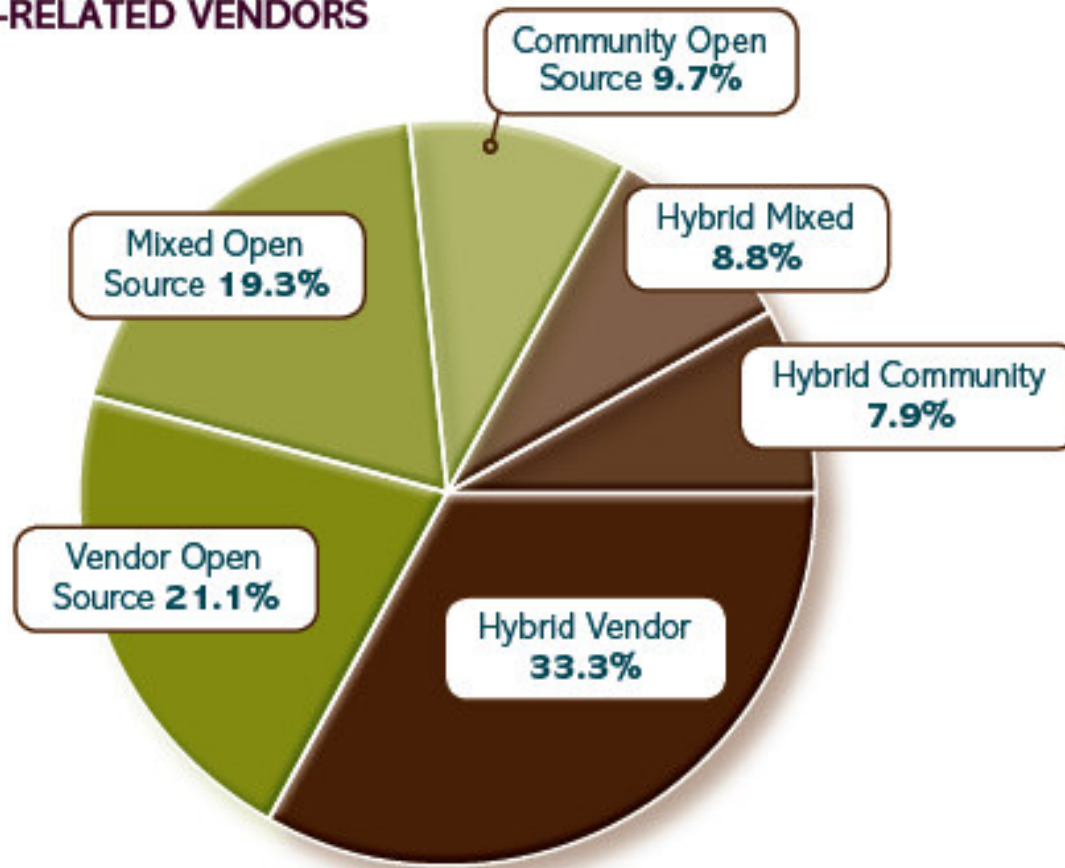


Development model

- Community open source
- Vendor open source
- Mixed open source
- Hybrid
 - Hybrid vendor
 - Hybrid community
 - Hybrid mixed

Development model research findings

FIGURE 3: DEVELOPMENT MODELS USED BY OPEN-SOURCE-RELATED VENDORS

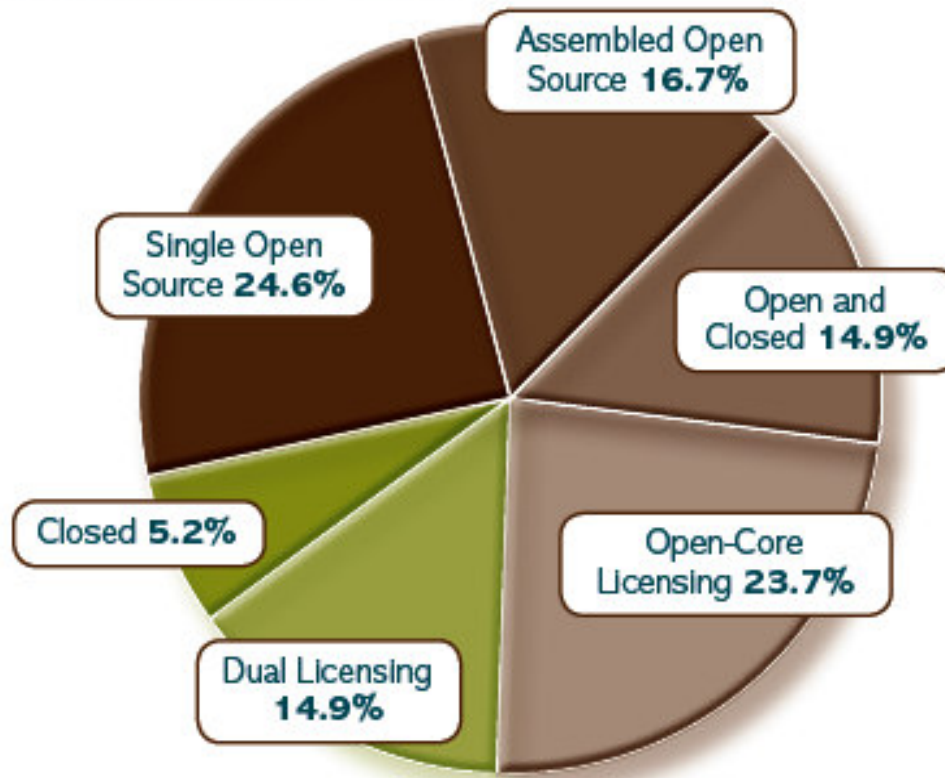


Vendor licensing strategy

- Single Open Source
- Assembled Open Source
- Dual licensing
- Open-Core Licensing
- Open-and-Closed
- Closed

Vendor licensing research findings

FIGURE 4: LICENSING STRATEGIES USED BY OPEN-SOURCE-RELATED VENDORS



Revenue triggers

- Service/Support
- Subscriptions
- Commercial License
- Software-as-a-Service
- Advertising
- Custom Development
- Embedded Hardware
- Embedded Software
- Other Products and Services

- Any combination of the above