What do customers say?
Dan Agrow (CIO)

My experience is we have actually received better support of open-source software than we have with commercial software.

Lots of open-source products work very well and can be deployed and run for about half the cost of commercial products.
Moving off fault-tolerant Compaq Himalaya servers onto a combination of Linux and the MySQL database running on clustered Intel servers

Total cost of ownership will be at least 40% cheaper, with anticipated savings of “tens of millions of dollars” [Craig Murphy (CTO)]
La Quinta

Shifted online reservation system from BEA’s WebLogic to JBoss

Rationale

- Good service
- Increased flexibility
- Lower costs
What do suppliers say?
MySQL

Mårten Mickos (CEO)

How do you turn a $9 billion market into a $3 billion market and dominate what is left?
Haavard Nord (CEO)

By next year, it may sound bold and stupid, but in fact we are going to overtake Microsoft in terms of device shipments.
Bart Decrem, spokesman for the Mozilla foundation, about Firefox

I think we'll get to 10 percent over the next year... we have the momentum... The move from IE to Firefox is also shown by the fact that half of Firefox downloads are from IE users.
Business Models
Business Models

Open Distribution / Open Source

Linux

Apache

MS Windows

Websphere

Star Office

Proprietary / Closed Source
Proprietary / Closed Source

- Developed and supported by employees
- Funded by customers
- Recognized viability
- Offer support & education
- Traditional marketing & distribution
Open Distribution / Open Source

- Developed by volunteer developers
- Supported by volunteer community
- Completely free of cost
- Viability?
- Nano markets?
Business Models

- Corporate Distribution / Open Source
- Open Distribution / Open Source
- Red Hat
- Linux
- Apache
- MS Windows
- WebSphere
- StarOffice
- Proprietary / Closed Source
Corporate Distribution / Open Source

- Bundlers / value added resellers
- Do not necessarily contribute code to OS community
- Usually make installation / configuration easier
- Offer support & education
- Viability signal
Business Models

- Corporate Distribution / Open Source
- Open Distribution / Open Source
- MS Windows
- Linux
- Apache
- Red Hat
- OpenOffice
- Proprietary / Closed Source
- Funded Open Source
- Websphere

System Software Models
Funded Open Source

- Some support provided by external agents
- Most often provided as code/support from salaried employees of sponsor
- Sometimes provided as direct or indirect monetary contributions
- Viability signal
- Brand inheritance
- Sponsors often bundle / enhance OS projects in proprietary products
Professional open source

- Open source software
- Professional accountability and service
Business Models

Corporate Distribution / Open Source

Open Distribution / Open Source

Open Source

Funded Open Source

Supported Open Source

Proprietary / Closed Source

MS Windows

Websphere

Apache

OpenOffice

JBoss

MySQL
Supported Open Source

- IT service firm supports a range of open source products as part of a service contract
  - HP
  - Unisys
  - SoftPro
- Level 1 & 2 support
JBoss
Evolution & revolution

Evolution

Revolution

Phases

Age of Organization

Professional open source
Support services
Consulting services
Education and documentation
Application service provider

Creation of JBoss
Change in customer demand
Crisis of revenue
Growth through education
Growth through consulting
Crisis of coordination
Growth through support
Growth through ecosystem
Crisis of scalability

Growth through consulting
Growth through support
Growth through ecosystem
Crisis of scalability
Crisis of coordination
Change in customer demand
Creation of JBoss

Evolution
Revolution
Ecosystem

Cooperative challenges
- Maintain innovation within ecosystem
- Evangelize POS
- Hire OS developers
- Gain support of JBoss AS developers

Competitive challenges
- Shape the larger ecosystem
- Extend JBoss AS ecosystem to stall competitors
- Establish JBoss AS as a market leader
- Establish viability of JBoss AS as a J2EE option

Expansion
- Gain support of JBoss AS developers

Leadership
- Hire OS developers
- Evangelize POS

Self-renewal
- Maintain innovation within ecosystem
- Shape the larger ecosystem

Birth
Leadership

- J2EE market
- Open source movement
- Java community
Reactions

- IBM purchases Gluecode
- Sun opens its J2EE server
Risk analysis

- Demand
- Innovation
- Inefficiency
- Scaling
Demand Risk

- Customer has near zero acquisition costs
- Service revenues more stable than licensing fees
Innovation risk

- Open code permits others to submit improvements
- Worldwide recruiting of developers
- Open roadmaps
Inefficiency risk

- Lower sales and marketing costs
- Not all users need to be customers
- Seed and harvest
- Users participate in bug detection
Scaling Risk

- Separation of adoption from purchase
- Large pool of potential customers
- Highly qualified leads
- Scaling through the ecosystem
Distinctive features of POS

- Separation of adoption and purchase
- Seed and harvest marketing strategy
- Dual growth
Assuming POS model spreads

- Cost of running IS unit will decline
- Software innovation and quality should improve
- Benign POS monopolies might emerge
- TCP/IP
- Apache
Assuming POS model spreads

- POS escalation
  - Open standards drive commoditization
  - Vendors move up the stack
  - Adoption pressures external to IS unit
  - Traditional software companies adapt to OS
  - IS units develop OS strategy
Survey

Greatest perceived benefits

- TCO (88%)
- Opportunities for innovation (81%)
- Dependence on software vendor (74%)
Greatest perceived risks (or shortfalls)

- Documentation availability (44%)
- Maturity of product (32%)
- Documentation quality (31%)
INTERNATIONAL

- Windows XP with Office is
  - 2.5 months of per capita income in South Africa
  - 16 months of per capita income in Vietnam
- Economic development
- South-south collaborative network between Brazil and India
“…13 countries will urge nations to adopt open-information technology standards as a vital step to accelerate economic growth, efficiency and innovation.”

*New York Times*, Sept 9, 2005

Includes China, India, and Brazil
“Proprietary formats will no longer be acceptable in communication between citizens and government.”

Norwegian Minister of Modernization

July 5, 2005

eNorge2009 plan
“There is an open-source application that is maturing in every software category that exists... Open-source is poised to commoditize those segments. We're already seeing it”

Pete Kronowitt, a strategic planner for Intel

50 open source firms venture funded
Conclusion

- New products, new markets, and new forms of production and distribution fuel free enterprise creative destruction and dislocate existing patterns of business

- New corporate forms evolve to fit the changed competitive environment

- The software industry is changing