

THINK OPEN

开放性思维

Is there an Open Source Business Model: YES or NO?

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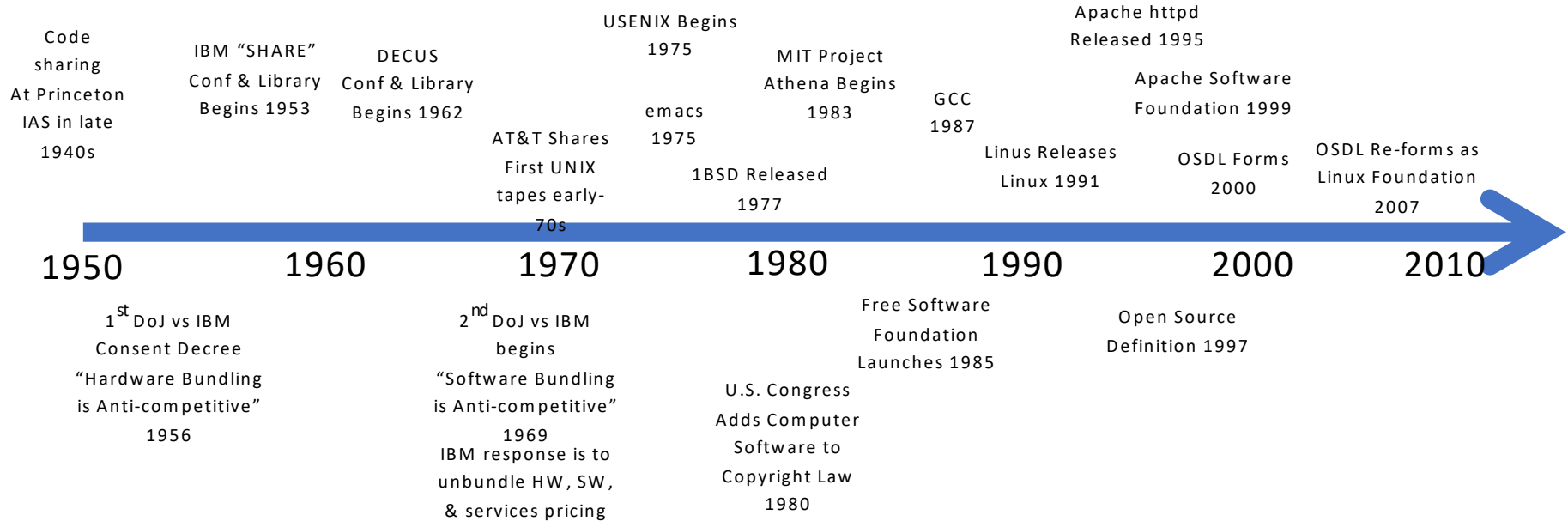
Jeffrey Borek, WW Program Director, IBM @jeffborek



Is there an Open Source Business Model?

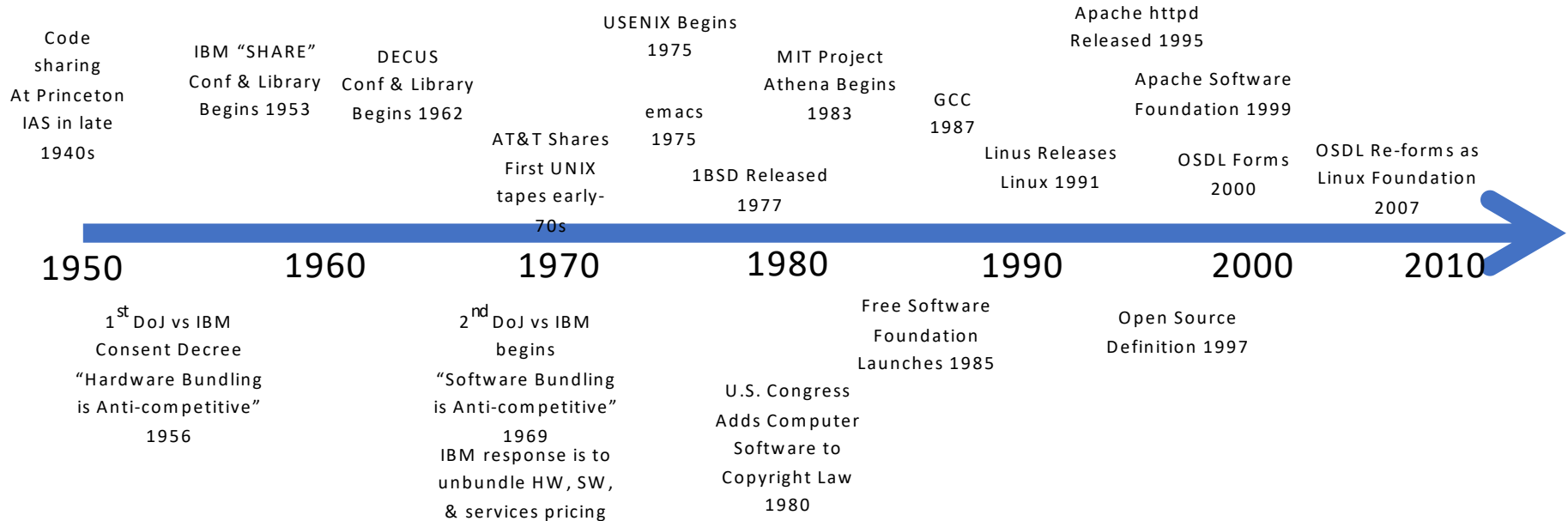
Open Source Software is about Engineering Economics

We've shared software since we've written software

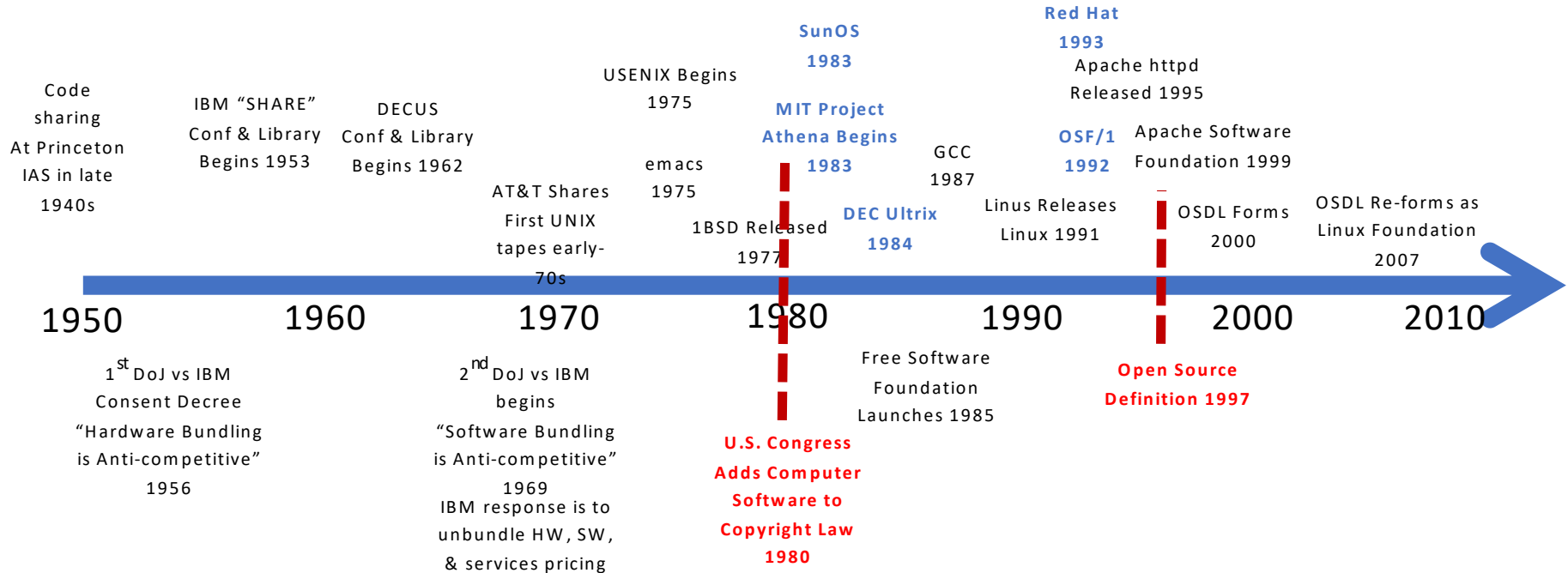


We've shared software since we've written software

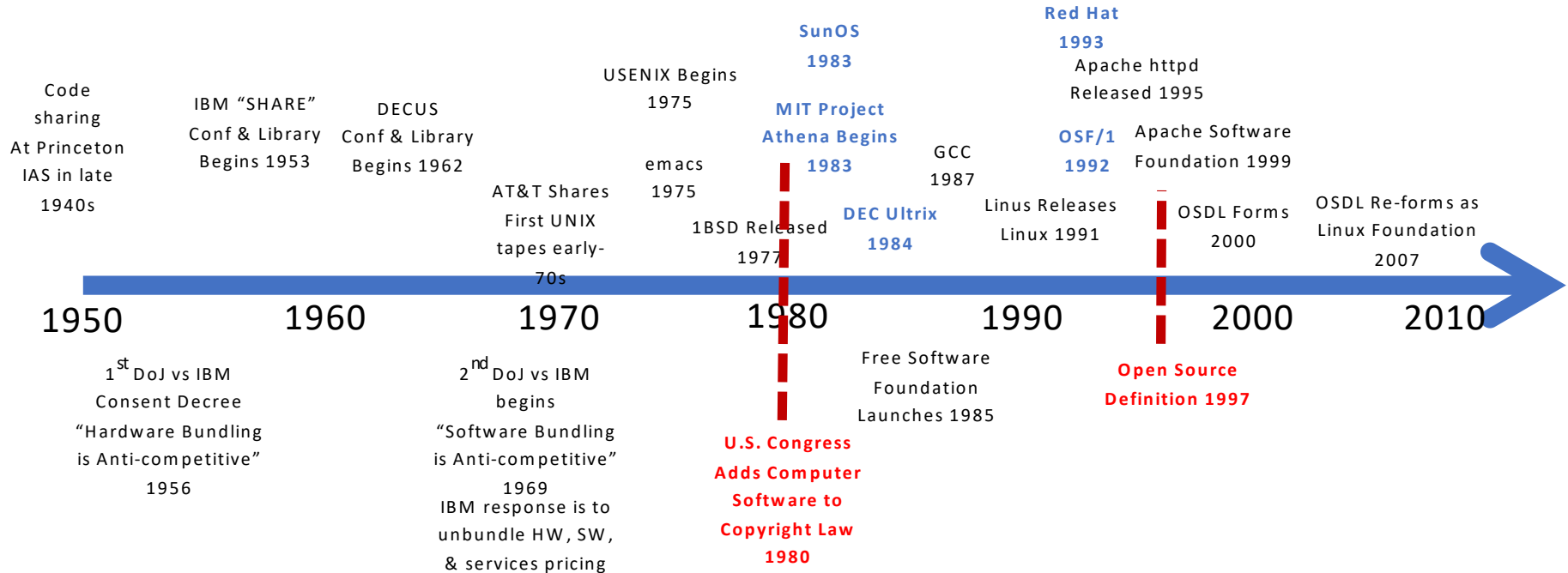
Writing good software is hard work



Companies shared software before we had the OSD



Companies shared software before we had the OSD (Writing good software is hard work)



Is there an Open Source Business Model?

Collaboratively-Developed Liberally-Licensed
Software is about Engineering Economics

Open Source is about Engineering Economics

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Interix
~\$100,000
for \$10M
value capture

Is there an Open Source Business Model?

Build vs Buy

Is there an Open Source Business Model?

Build vs Buy vs. (Borrow & Share)

Is there an Open Source Business Model?

Projects are not Products

Is there an Open Source Business Model?

Projects are interesting buckets of technology developed collaboratively by like-minded engineers

Is there an Open Source Business Model?

Projects are interesting buckets of technology developed collaboratively by like-minded engineers

Products solve customer problems and money is exchanged for perceived value

Is there an Open Source Business Model?

Projects are interesting buckets of technology developed collaboratively by like-minded engineers

Is there an Open Source Business Model?

Projects have communities
Communities have time and no money

Is there an Open Source Business Model?

Projects have communities
Communities have time and no money

Products have customers
Customers have money and no time

Community vs. Customer

- Will contribute time to solve their problems
 - Look to community and **project** for solutions
 - Community wants transparency, meritocracy, and agency
 - Need guidance and tool support
 - **Become technology advocates**
 - **Become knowledgeable experts**
 - **Make your solution sticky**
- **They want to buy something**
 - Look to the **product** to solve their problems
 - Customers have expectations based on a cost
 - Community/project is a test for product
 - May participate in community

Conversion Rates

1:1000

3%

10%

1:1000 (MySQL Inc.)

~1:100 (JBoss)

1:10 (Red Hat)

What Business Ratio Changes 2 Orders of Magnitude between Companies in a Market?

Community vs. Customer

- Will contribute time to solve their problems
 - Look to community and project for solutions
 - Need guidance and tool support
 - **Become technology evangelists**
 - **Become knowledgeable experts**
 - **Make your solution sticky**
- **They want to co-market products**
 - **Look to the product to cross-sell**
 - Partners have contracts defining business relationships around products/services
 - Community/project is a test for product
 - May participate in community

Is there an Open Source Business Model?

Customers versus Community

(Money vs. Time; Expectations are different; Conversations are different)

Partners versus Community

(Don't mix business with community)

Products versus Projects

(Success metrics are different; OKRs and KPIs are different)

Last Quick Examples ...

- Kubernetes is a project; AKS and GKE are products
- OpenStack is a collection of projects; Helion and RDO are products
- Linux is a project; Fedora is a distro project; RHEL is a product

A Story of Red Hat in Three CEOs



A Story of Red Hat in Three CEOs



1994



1999



2008



Is there an Open Source Business Model?

Collaboratively-Developed Liberally-Licensed
Software is about Engineering Economics

There is NO Open Source Business Model...

Is there an Open Source Business Model?

Alternatively...

There IS an open source business model

Is there an Open Source Business Model?

Collaboratively-Developed Liberally-Licensed
Software is about *evolving Business Models*

OS became 'official' over 2 decades ago

The segment of collaboratively-developed liberally-licensed software labeled “open source” is 20 years old

<https://opensource.org/node/924>

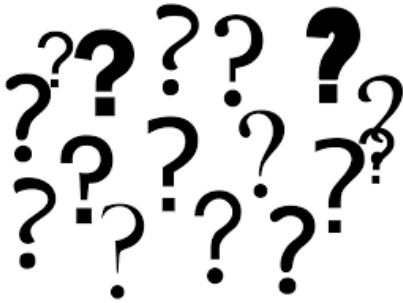


Is that when open source actually began?

The segment of collaboratively-developed liberally-licensed software labeled “open source” is 20 years old

<https://opensource.org/node/924>

When did the first release of a enterprise-grade “open source” operating system get released, and by who?



Open software has actually been around longer

The segment of collaboratively-developed liberally-licensed software labeled “open source” is 20 years old

<https://opensource.org/node/924>

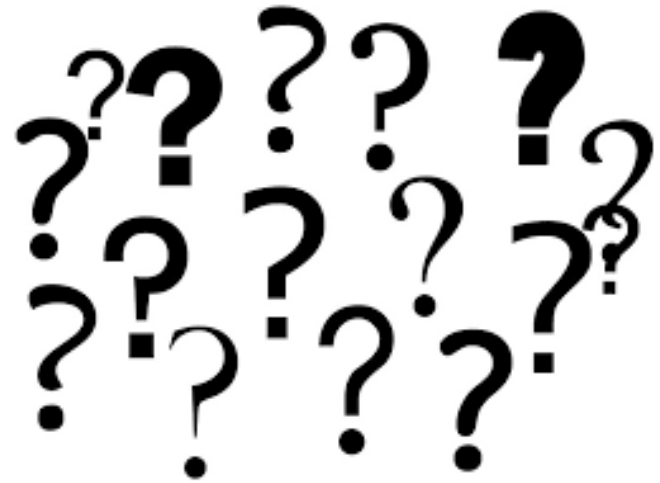
When did the first release of a enterprise-grade “open source” operating system get released, and by who?

SHARE released its own operating system – what we would today refer to as an OS distribution, the SHARE Operating System (SOS) – for IBM 709 hardware in 1959

[https://en.wikipedia.org/wiki/SHARE_\(computing\)](https://en.wikipedia.org/wiki/SHARE_(computing))

How long has business made money with SW?

When did the revenue-generating Software Industry come into existence?



Was it about four decades ago?

When did the revenue-generating Software Industry come into existence?

Was it when Bill Gates wrote the famous “An Open Letter to Hobbyists” email back in 1976?

<https://www.newyorker.com/magazine/1994/01/10/e-mail-from-bill>

THE
NEW YORKER



Actually it was about five decades ago

When did the revenue-generating Software Industry come into existence?

Was it when Bill Gates wrote the famous “An Open Letter to Hobbyists” email back in 1976?

<https://www.newyorker.com/magazine/1994/01/10/e-mail-from-bill>

IBM announced that it would “unbundle” its software and hardware, June 1969

<http://archive.computerhistory.org/resources/access/text/2014/06/102712825/102712825-05-01-acc.pdf>

OS business model has evolved over time

Dual Licensing

Licensors can distribute software to licensees under a proprietary model as well as an open source model

Advertising Partnerships

Development costs are offset by logo placement and/or advertising revenue

Support and Service

Offers software for free and charges enterprise users for technical support services, facilitates certifications

Open Core

Primarily involves offering a "core" or feature-limited version of a software product as free and open-source software, while offering "commercial" versions or add-ons as proprietary software

Open source software delivered as a service

Instead of attempting to sell open source software as a standalone entity, it is coupled with a platform and the two are sold together

Advantages:

Clear path to monetization – Its been difficult to get developers and end-users to pay for software they can download for free. But when coupled with a platform, its understood that it comes at a cost

Alignment of customer and vendor needs – By combining the benefit of both code and platform, sufficient value is created to satisfy both buyer and seller

Flexibility of operational choice – Developers can still download and run the open source code should business needs require

The OS business model has never been easy!

Building a viable business around 'real' open source is as dicey as it's ever been

<https://www.infoworld.com/article/3032647/open-source-tools/face-it-theres-no-money-in-open-source.html>



InfoWorld
FROM IDG



Matt Asay

📡 🐦 in

However Open Source is clearly winning

Building a viable business around 'real' open source is as dicey as it's ever been

<https://www.infoworld.com/article/3032647/open-source-tools/face-it-theres-no-money-in-open-source.html>

Open source is winning in the data center as the emerging "standard" for most of the cloud infrastructure components



Has Cloud killed the OS business model?

Building a viable business around 'real' open source is as dicey as it's ever been

<https://www.infoworld.com/article/3032647/open-source-tools/face-it-theres-no-money-in-open-source.html>

Open source is winning in the data center as the emerging “standard” for most of the cloud infrastructure components

To what extent do big cloud providers owe a debt to open source, and how can that debt be sustained?

<https://www.geekwire.com/2018/might-time-big-cloud-share-wealth-open-source-startups/>

Will startups look to evolve open source software licenses to improve their chances in the marketplace?

Balancing the availability of code that characterizes open source with the need to monetize the software to continue its development

“**Fair Source License**” – Allows everyone to see the source code and makes the software free to use for a limited number of users in your organization (March 2016)

”**Business Source License** – Usage above a specified level requires a vendor license until the Change Date, at which point all usage becomes free (August 2016)

“**Community License**” – Customers are asked to follow an “honor system.” In registering to use the software, they are agreeing to abide by the CCL (January 2017)

Microsoft surprises industry, acquires open source repository GitHub

Based on the Git framework, an open source distributed version control system

” Microsoft Buys GitHub for \$7.5 Billion, Moving to Grow in Coding’s New Era”

<https://www.avilmes.com/2018/06/04/technology/microsoft-github-cloud-computing-azure-collection/%2Fsection/collection/%2Ftechnology/action=click&content=collection=technology®ion=rank&module=package&version=highlights&contentPlacement=z&pgtype=sectionfront>

“Everyone complaining about Microsoft buying GitHub needs to offer a better solution”

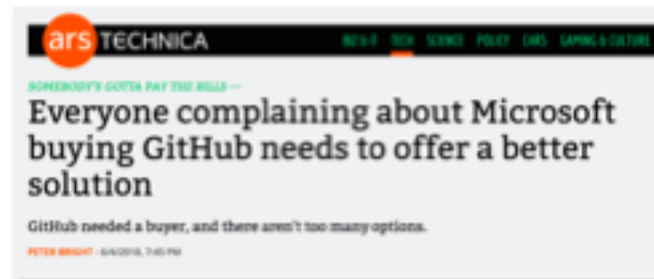
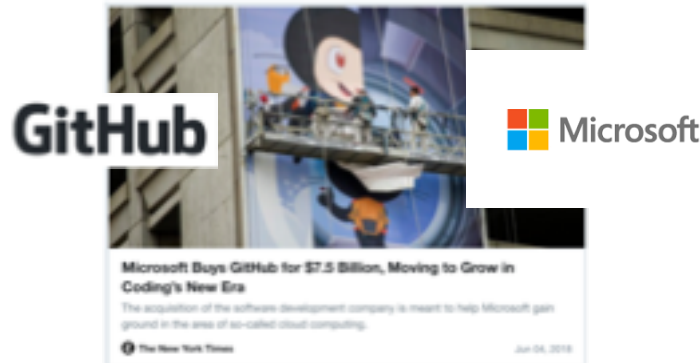
<https://arstechnica.com/gadgets/2018/06/everyone-complaining-about-microsoft-buying-github-needs-to-offer-a-better-solution/>

“So Pigs Do Fly: Microsoft Acquires GitHub”

<https://redmonk.com/sogrady/2018/06/04/so-pigs-do-fly-microsoft-acquires-github/>

Key Issues:

- Over 28M developers use the service to collaborate on more than 85M projects.
- Many enterprise companies (49% of the Fortune 100) maintain and collaborate on projects on GH. Massive developer dataset
- Microsoft pledges to maintain GitHub as developer and vendor neutral



Is there an Open Source Business Model?

So YES,
there an open source business model

It just keeps constantly changing!

Is there an Open Source Business Model?

YES or NO?

Q & A



LINUXCON

containercon



CLOUDOPEN

CHINA 中国

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