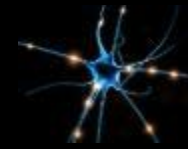


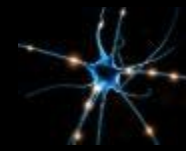
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Open Source

Business Perspectives

How do you make money from products when you are giving the code away for free? When does it make sense to co-operate with your competitors in order to increase market size? How and where do you structure these co-operations? The quickly changing landscape of mobile technologies, products and services result in a continuous adaptation of the business models built around them. In this talk Nick will provide an overview of the various business models used in mobile open source software, and will discuss how these different models affect collaboration between teams co-developing mobile apps.



Credentials



Experience

Negotiating IPR Licensing
Governance

Recruiting contributors -
ecosystem building

Managing communities

Open Source Exploitation

Managing development

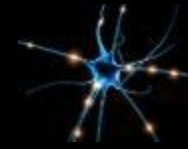
Venture Capital investment
and due diligence

Corporate (+academic)
joint ventures

Tools

Customers





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SOME STARTING CONCEPTS



Software is a Liability

- Software is not an asset
- Software is a logic problem – that without the original writers costs a lot to understand
- It costs to maintain it
- If you have product “dependent on it” – maintenance costs come off you balance sheet every year



Ecosystem Effects

- Software is not isolated - it has
 - End users
 - Intermediate users (packagers and hosters)
 - Devices it runs on – and the companies that own them
 - Other software dependent on it
 - People that make money directly or indirectly from it
 - People that save money because of it
- Considering the business of open source, means understanding where it sits in the ecosystem



Free riders

- Open source is “communal ownership”
- Tragedy of the commons
 - http://en.wikipedia.org/wiki/Tragedy_of_the_commons
- It needs considerable and continuous investment
- Who is a
 - Consumer
 - Contributor
- Does it balance.....



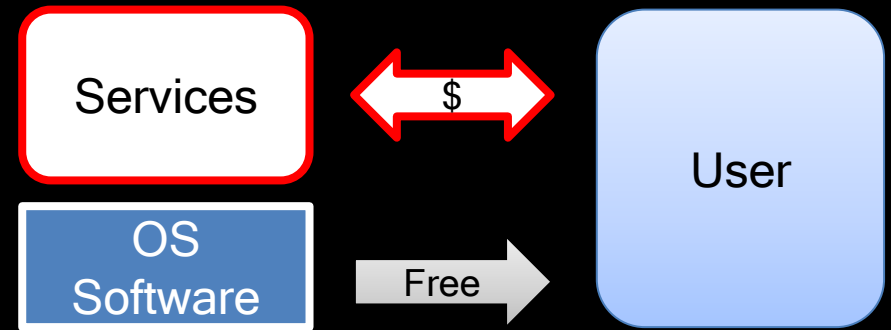
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OPEN SOURCE BUSINESS MODELS DIRECT MODELS

To make money from services



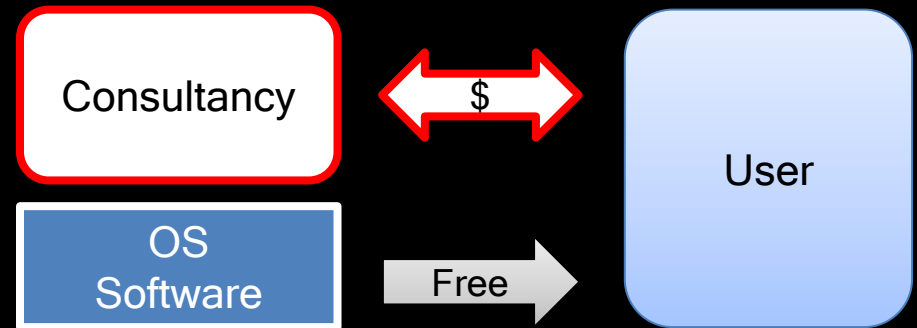
- Code is given away for free
- Services (which enhance the code) are charged for
- Typically productised support contracts
- Examples
 - Canonical
 - JumpBox



To make money from consultancy



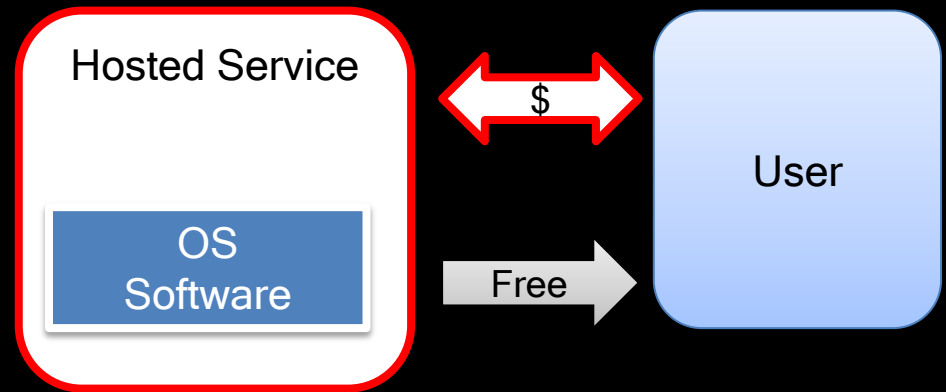
- Code is given away for free
- Consultancy is offered to companies who want to make best use of the software
- Encourages weak documentation 😊
- Typically – smaller initiatives?
- But does IBM fit in this category?
- Examples
 - Redmine
 - Phoneygap(Nitobi)



To make money from hosted service



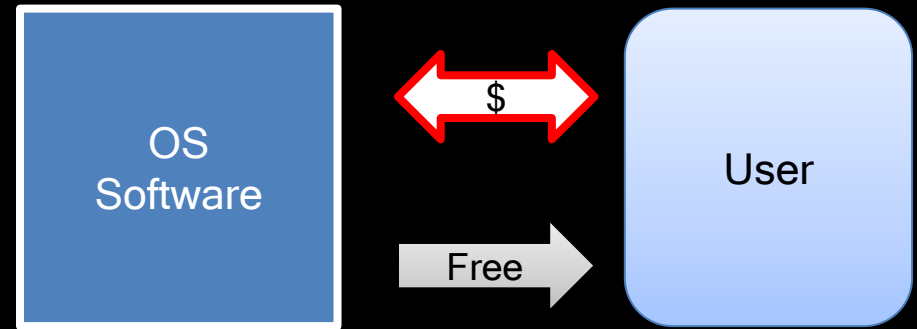
- Code is given away for free – build and run yourself if you like
- OR use the code as a hosted web service – and pay a subscription
- Works well when “setup” effort is considerable
- Disincentivises – virtual boxes
- Predict growth for this model
- Examples
 - Phonegap Build



To make money from license



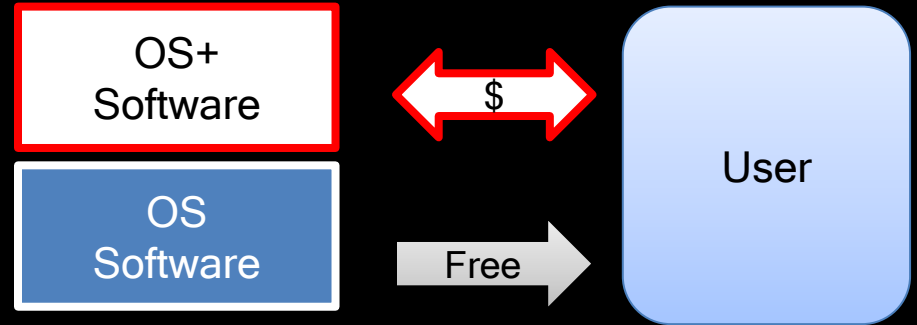
- Code is given away for free – but under restricted (hard to user terms) e.g. GPL
- Code is sold by more “permissive” license
- Dual license model
- Examples
 - QT: Trolltech





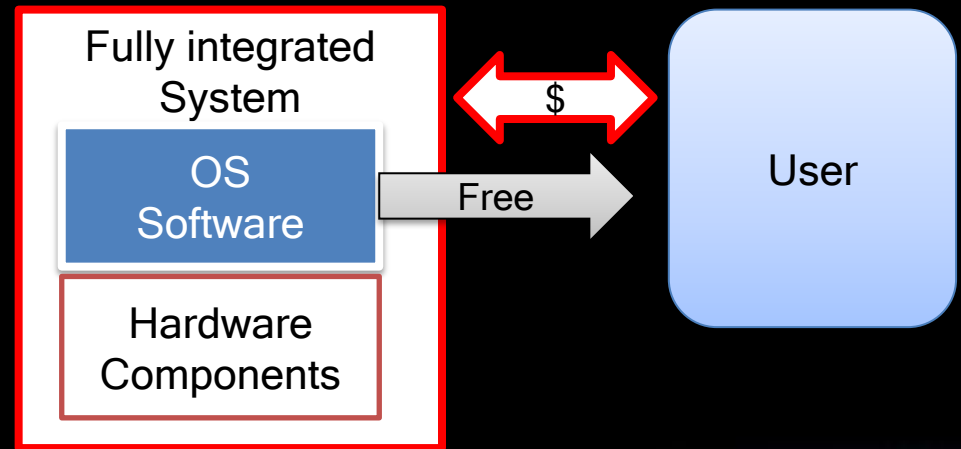
To make money from Upsell

- Code is given away for free – but
- Magic source that takes it to the next level is sold
 - Either as black box components
 - OR under more restrictive license
- Examples
 - SugarCRM
 - XenSource



To make money from Hardware

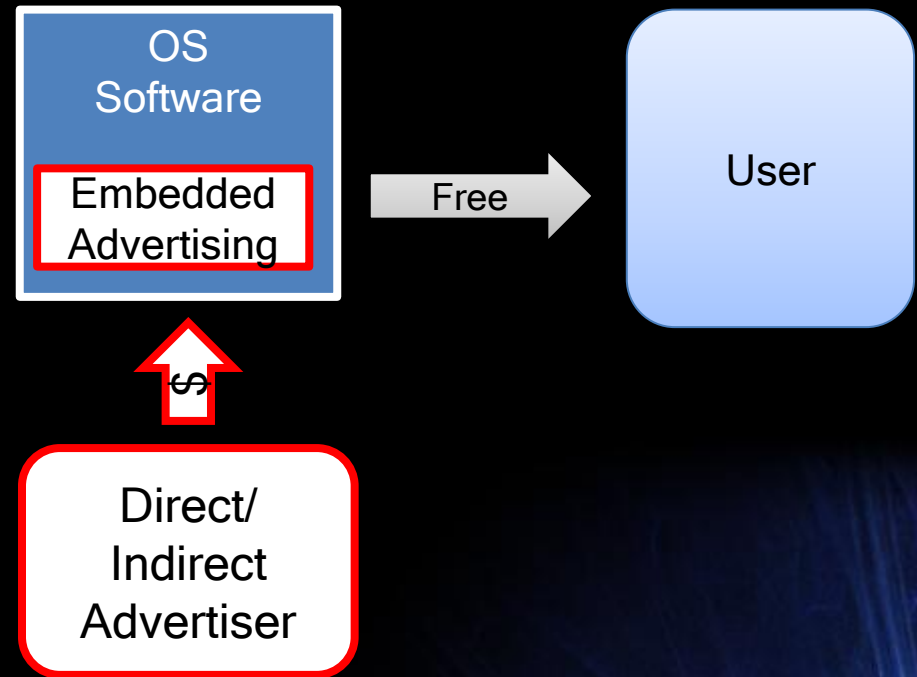
- Code is given away for free – but
- A full physical integrated tested appliance is given away for free
- Examples
 - Boxee
 - Cisco



To make money from Advertising



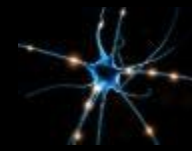
- Code/Products is given away for free – but
- There is an embedded (non removable component)
- This servers adverts or traffic – and revenue is received from beneficiary
- Examples
 - Mozilla (receive 63 million from Google /year) 2006
 - 104 million 2009 – 300 people





Caveat: in the following we “speculate motives”

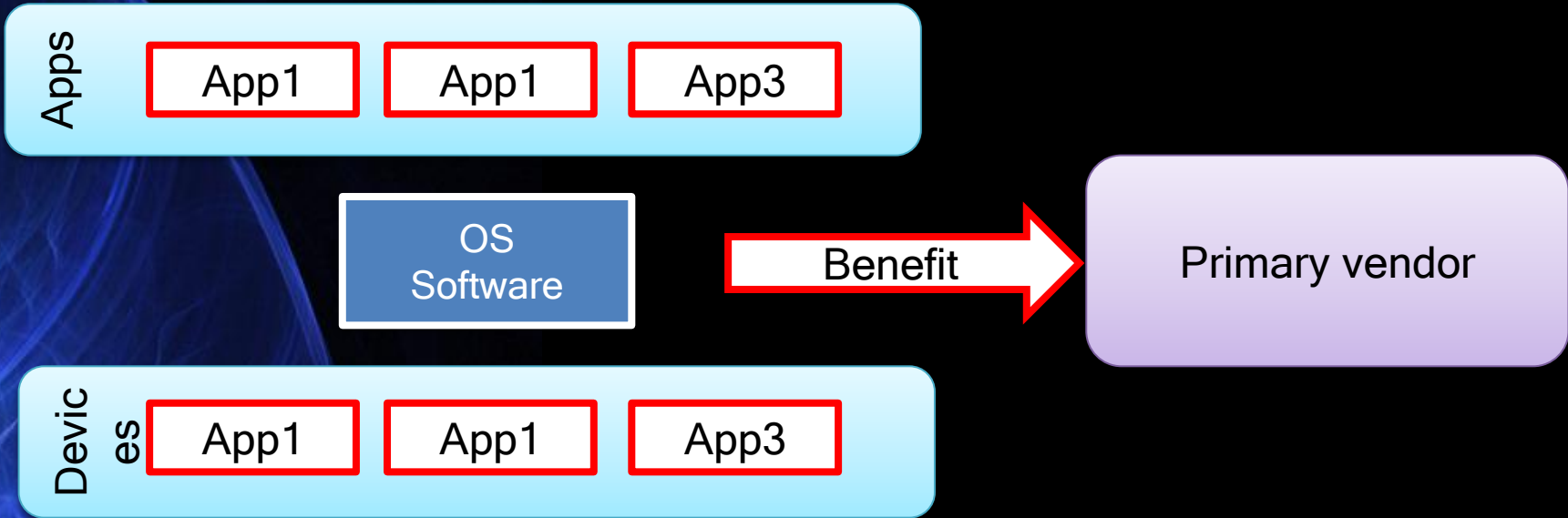
OPEN SOURCE BUSINESS MODELS INDIRECT MODELS



Indirect models

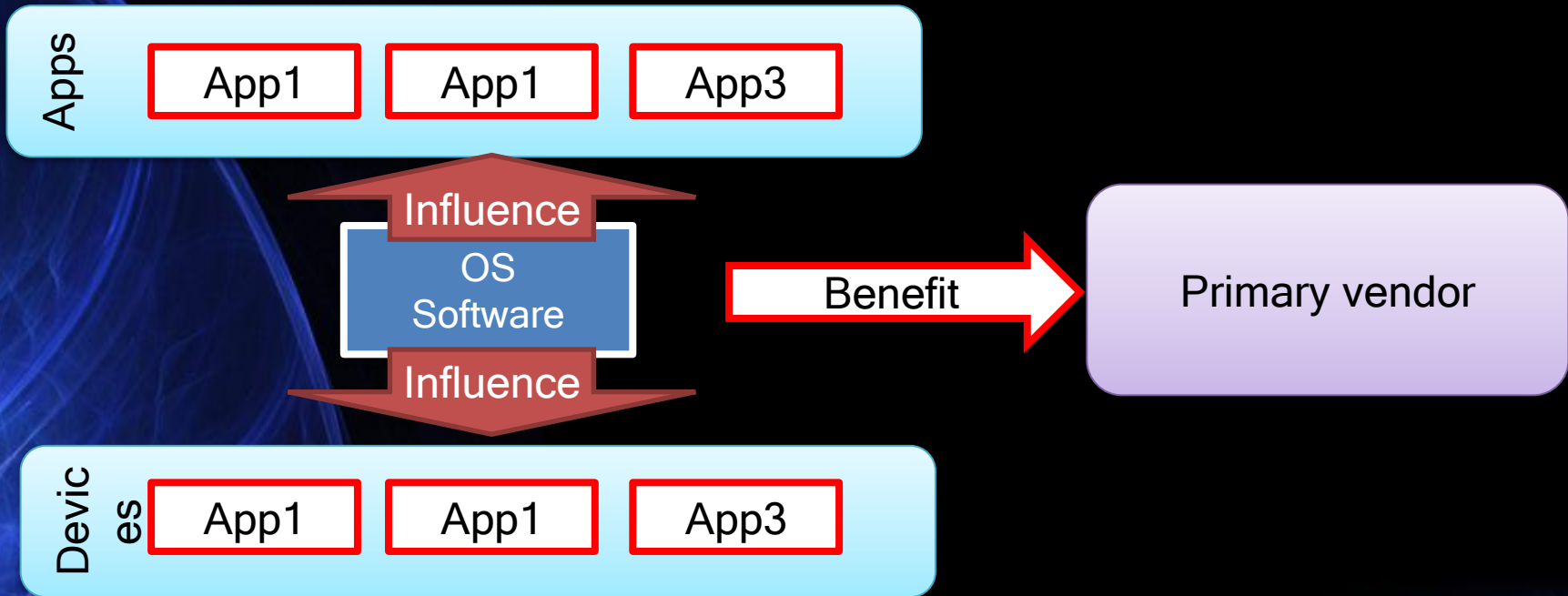
- Most open source activities are sponsored by (usually) one company
- This is not charity!!!
- What are the motivations for \$100million investments ?

To grow ecosystem



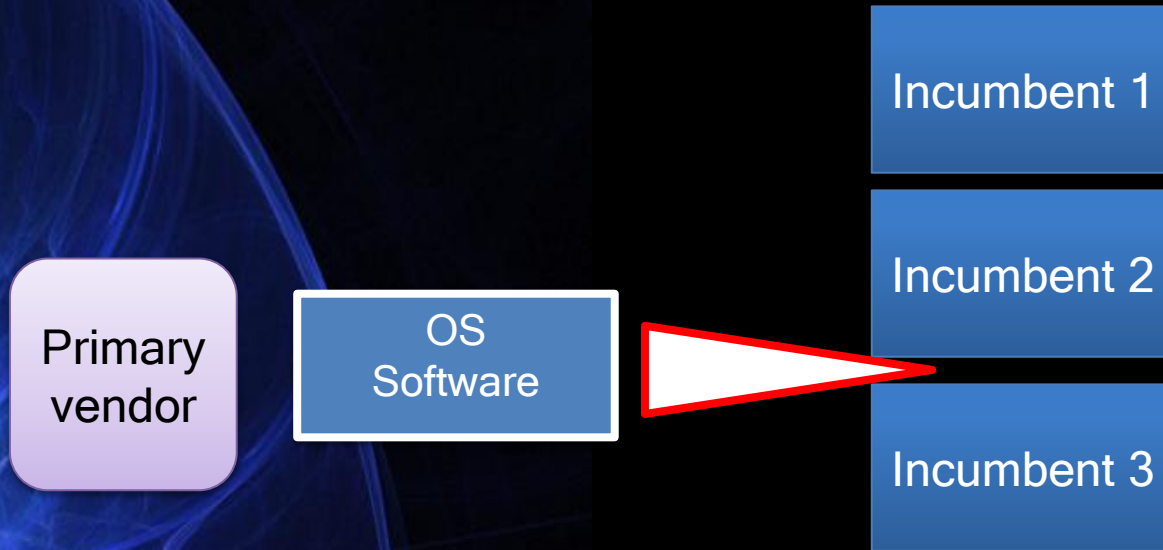
- Every “product” exists in an ecosystem – but this can change (e.g. Operating system vs device etc)
- Releasing this as open source can lead to faster ecosystem growth
- The primary vendor can benefit from this rapid growth
- Example: Nokia – Symbian/Meego

To control ecosystem



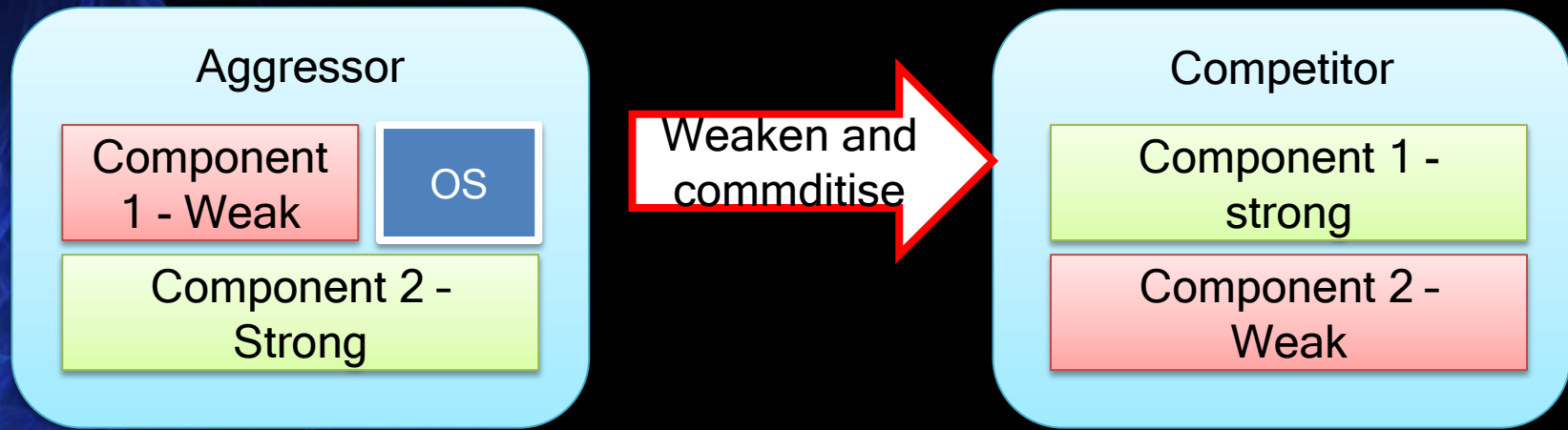
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To Enter Market



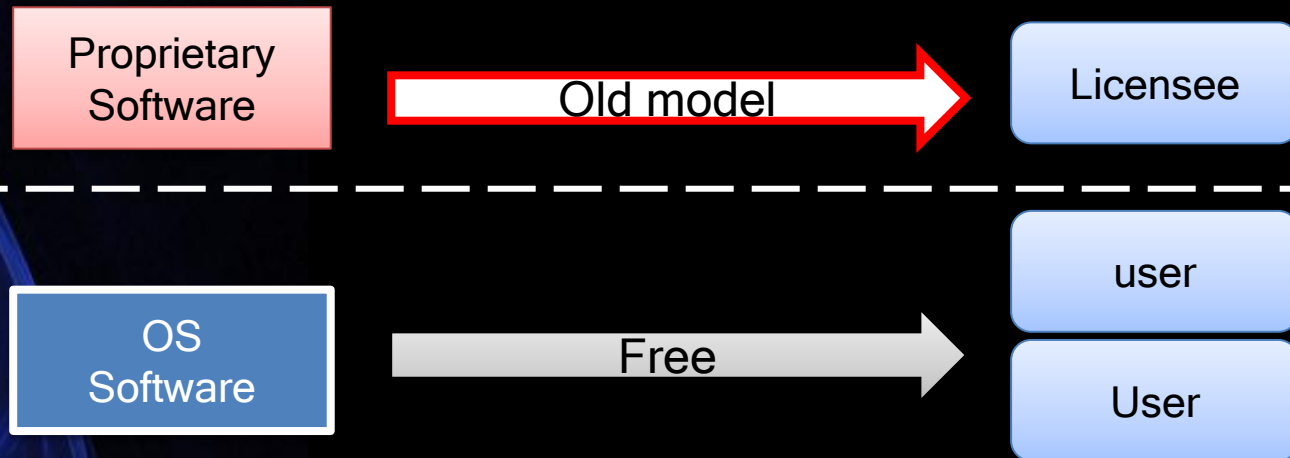
- In a market dominated by “gorillas” who have stranglehold on market – open source is disruptive
- It can destroy value in existing business models and grow a fast ecosystem
- Examples: Google Android

To devalue competitions assets (focused)



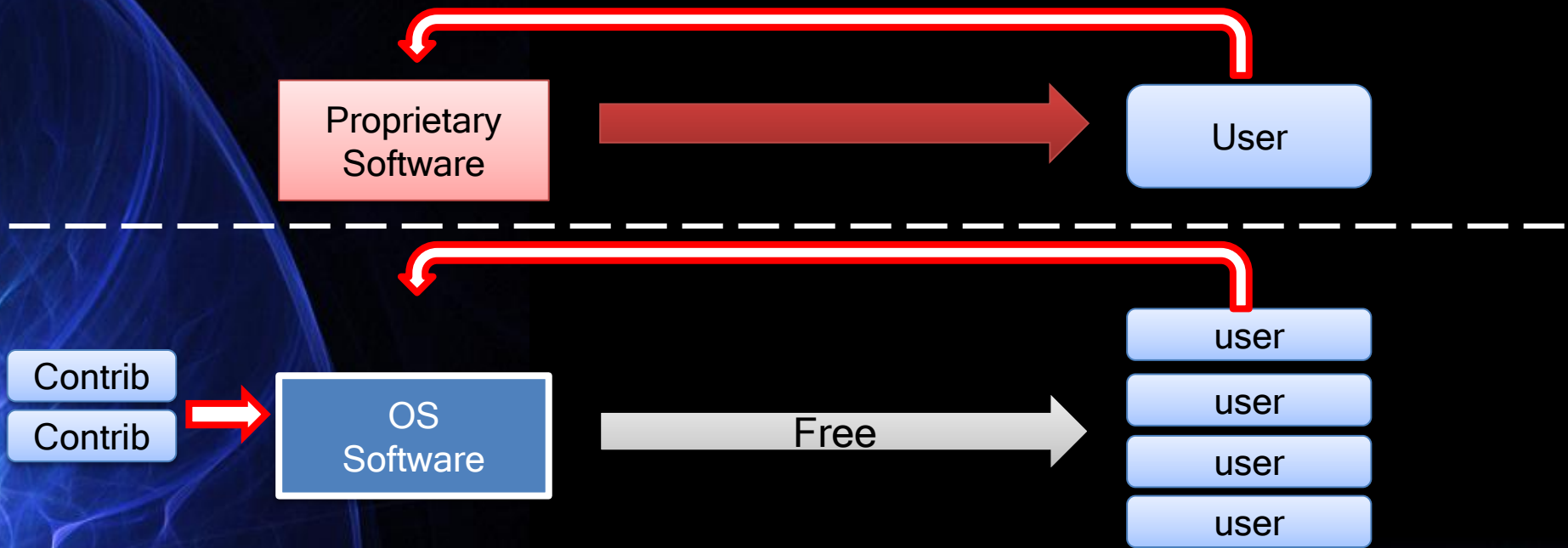
- Scenario: you compete 1:1 against competitive product – they are better than you in some areas – you are better than them in other
- Rational act: open source your weak component and kill your competition
- Examples:?

To remove license costs

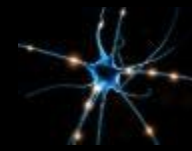


- Scenario: you are paying large license fees for essential proprietary software
- Rational act: create or open source the key software to reduce your open source liability
- Examples: Nokia, Symbian
 - Symbian cost \$630 million euros to buy out – loaned by EU investment bank
 - <http://www.cellular-news.com/tags/symbian/european-investment-bank/>

To share costs



- Scenario: one piece of software you are using costs a lot to maintain and support – but is not differentiating
- Rational act: share your cost base with competitors and others in the market
- Examples: Webkit



Conclusions

- There are ways of making direct revenue from open source
- The BIG players \$100mil+ play a different game
 - It pays to understand corporate strategy
- Open source has “profound” ecosystem effects
 - You can kill business overnight
- Business models should be applied with scalpel like precision

webinos (broader) challenge



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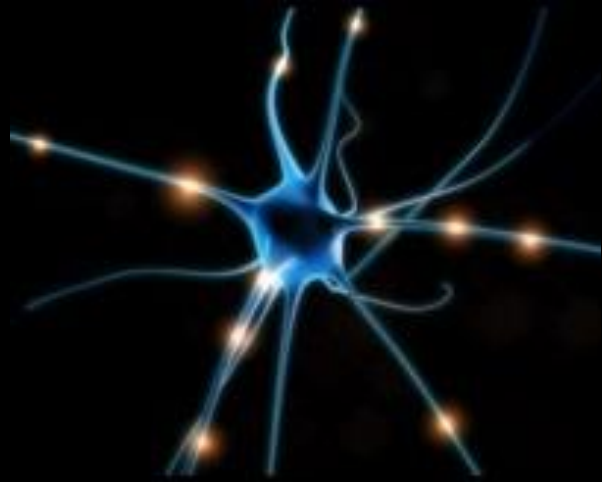
Single company
sponsorship

Single company
profit incentive

Collaborative
incentives for
sustainable
resourcing?

Community of
(individuals)





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