

# FOSS Business Models

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# Business Models

- Commercial Software
- Service and Support
- Enhancing Products
- Enable Hardware Components
- Dual Licensing
- Solution Integration
  
- Lowering cost of End-of-Life



# Business Model: Commercial Software

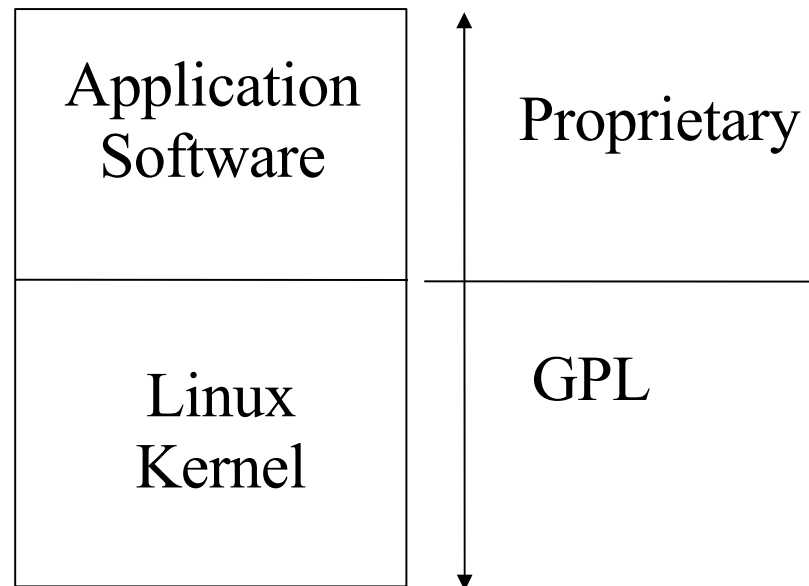


# Commercial Software

- Nothing in the GPL prohibits this
- Requirements
  - Not linked to GPL code
  - Works in non-kernel space
- Special requirements
  - If Kernel Intrusion exists (e.g. Device drivers)

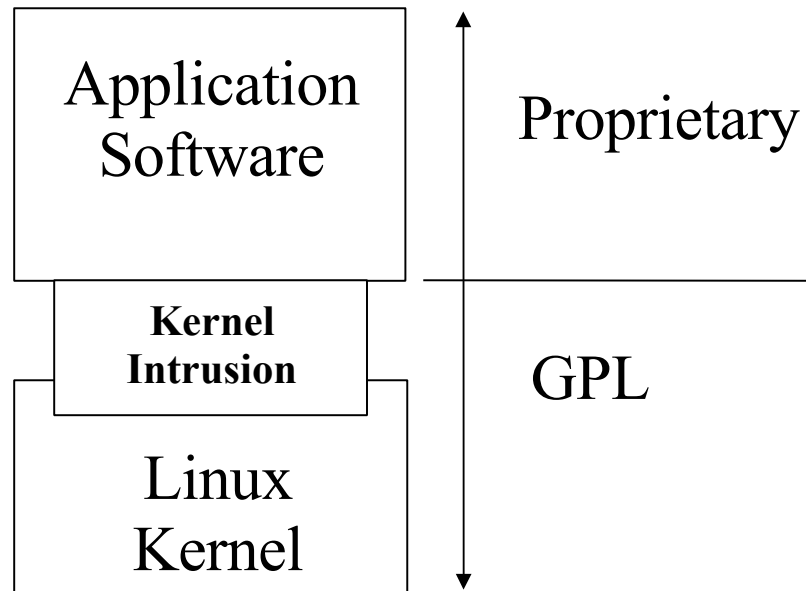
# Commercial Software

- Without Kernel Intrusion



# Commercial Software

- With Kernel Intrusion



# Benefit Analysis

## ■ Advantages

- No change in existing methodologies
  - Development
  - Marketing/Sales

## ■ Disadvantages

- No benefits from the FOSS model
- Customers using FOSS platforms alienated
- Deployment problems
  - Distribution Specific
  - Library Specific

## Examples

- IBM products
- Oracle products
- SAP products





# Business Model: Services and Support



## Services and Support

- Most straight-forward model
- Retail Packaging
- Charge for service & support
  - Specific applications
  - FOSS application suites
  - FOSS systems
- Subscriptions
- Professional Services

## Benefit Analysis

### ■ Advantages

- Rising demand from new and existing customers
- Relatively easy to implement
- Perfect model for own FOSS software

### ■ Disadvantages

- Initial learning curve
- Increasing Competition

## Examples

- Red Hat Network
- Ximian Red Carpet service



# Business Model: Enhancing Products

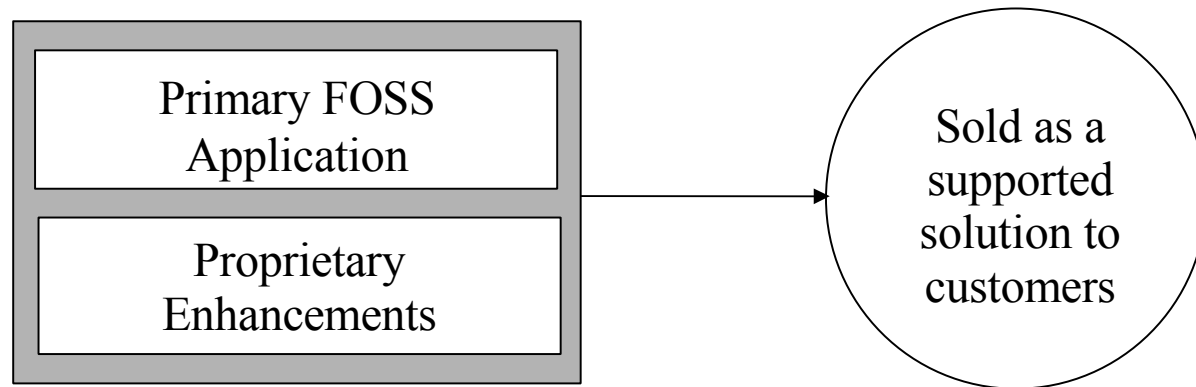


# Enhancing Products

- Combining Proprietary and FOSS
- Adding functionality to existing systems
- “Bundling”
- Supported Solutions

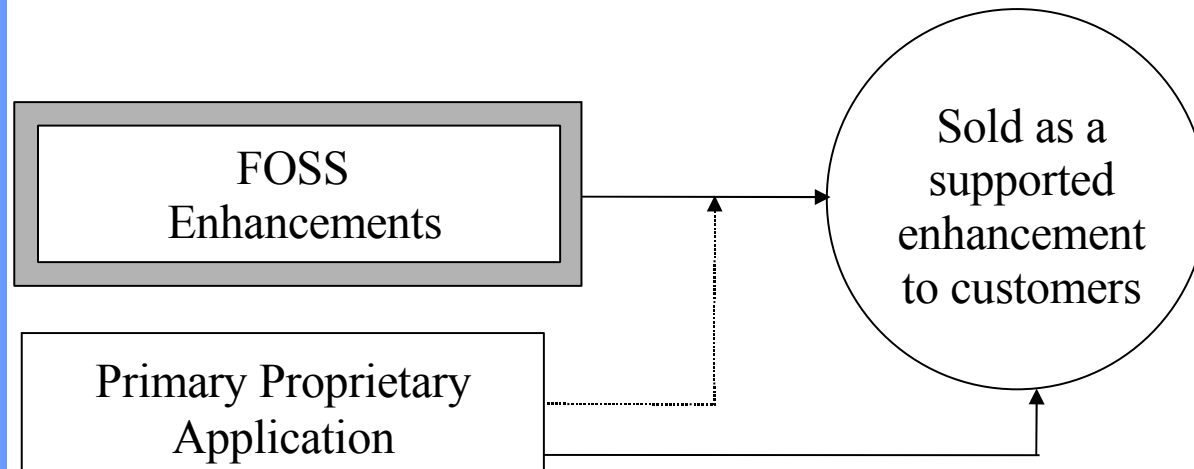
## Enhancing Products

- Adding value to FOSS using proprietary components



# Enhancing Products

- Adding value to Proprietary software using FOSS components





# Benefit Analysis

## ■ Advantages

- Leveraging on existing software
- Possibility to create IP using FOSS
- Quicker time to market than ground-up

## ■ Disadvantages

- Cannot exist stand-alone
- In case of proprietary enhancements for FOSS, distribution *may be* tricky
- In case of FOSS enhancements to proprietary software, access to NDA'd APIs may be needed.

## Examples

- Covalent Technologies
  - Adds enterprise-class capabilities to Apache
- A number of FOSS add-ons for proprietary applications exist
  - Report Generation
  - Format Conversions
  - Inter-application “bridges”



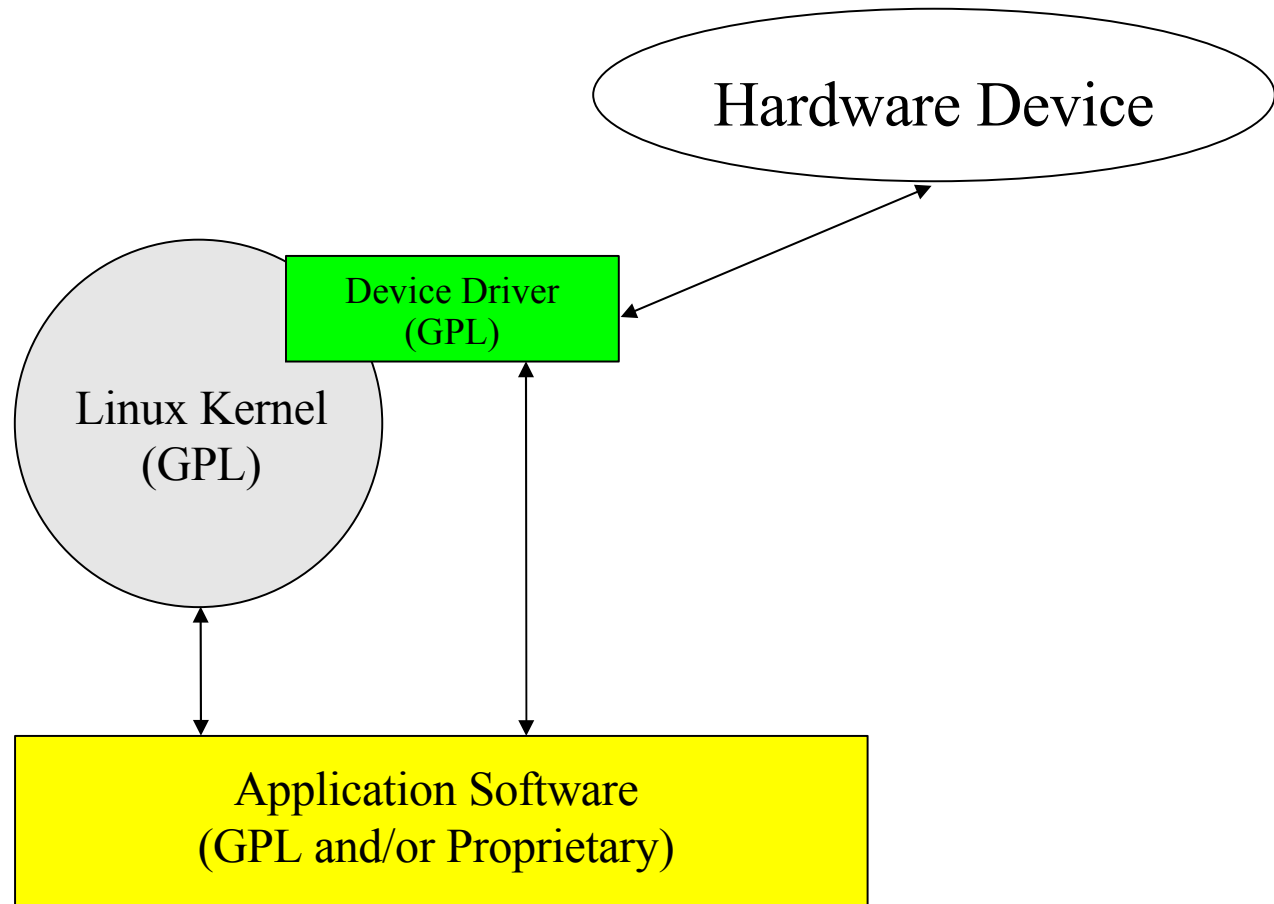
# Business Model: Enable Hardware Components



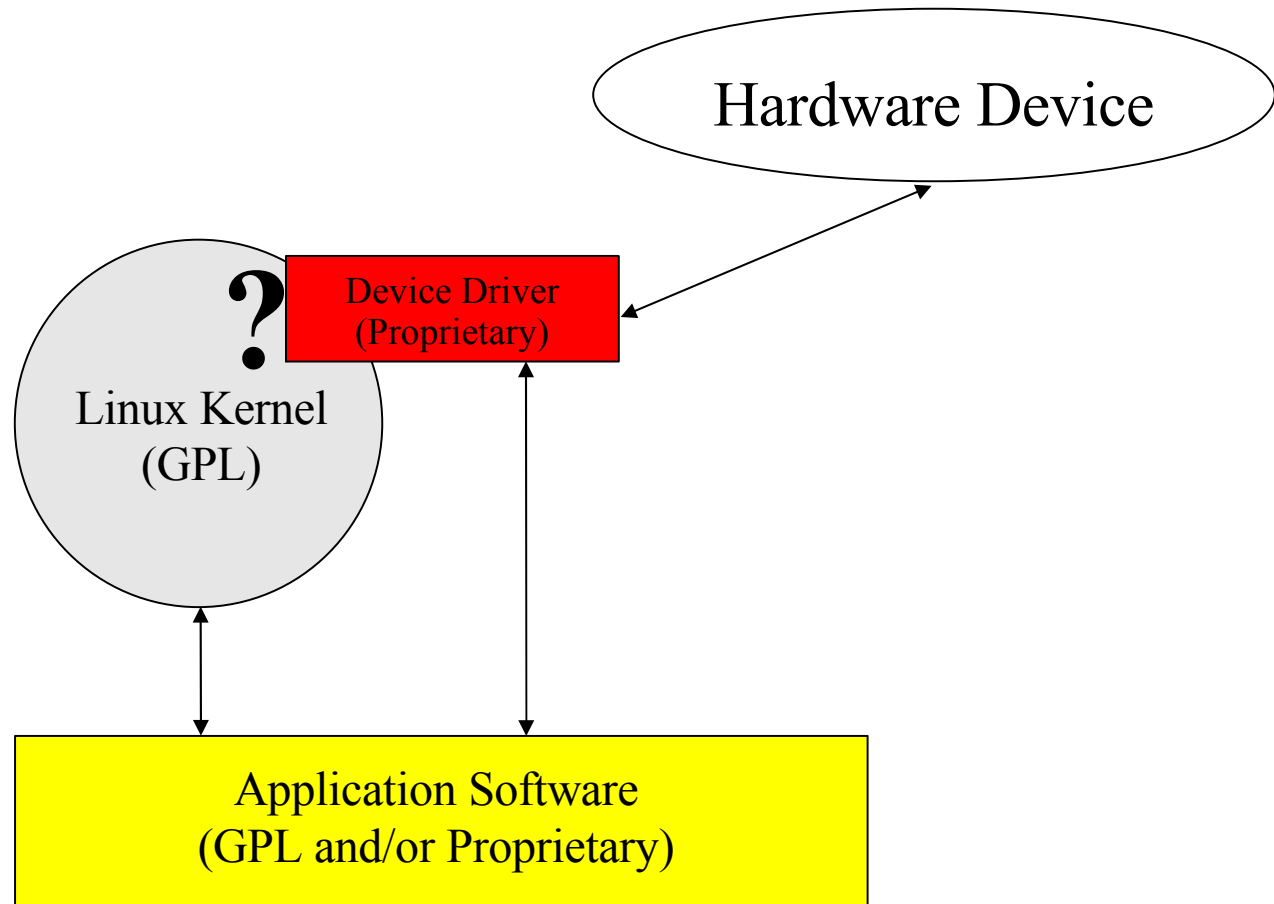
# Enable Hardware Components

- Device Drivers
- Allow access by FOSS platforms to hardware
- Two forms of Device Drivers
  - Open Source
  - Proprietary

# Open Source Device Drivers



# Proprietary Device Drivers



# Benefit Analysis

## ■ Advantages

- Growing Market
- “Retro-fit” Opportunities

## ■ Disadvantages

- Proprietary Device Drivers difficult to maintain
- Ability to insert proprietary modules may disappear
- Perceived value by customer is low.

## Examples

- Open Source Device Drivers
  - X Display Drivers
  - Kernel USB drivers
- Proprietary Device Drivers
  - NVIDIA Display Drivers
  - Many high-end sound cards





# Business Model: Dual Licensing



## Dual Licensing

- Maintain two versions of software
  - FOSS version
  - Proprietary version
- License proprietary version
  - Traditional License and Support Revenues

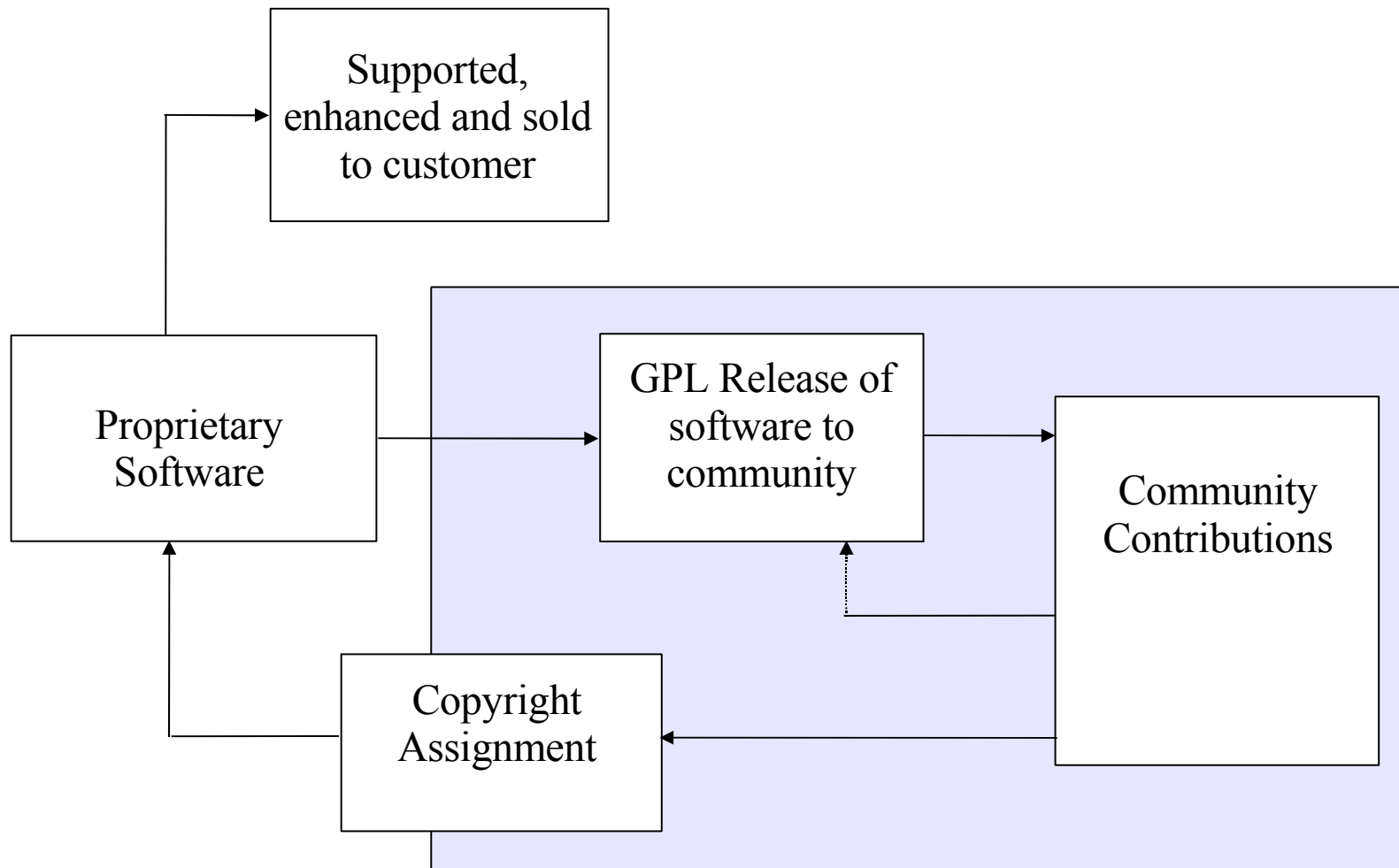
## FOSS Version

- Typically for use with FOSS systems
- May have smaller feature sets
- Has special requirements for patches...

# Proprietary Licensed Version

- Traditional License and Support Revenues
- May have more features
- More testing and certification
- Earlier access than FOSS version
- Support from Copyright holder

# Dual License Model



# Benefit Analysis

## ■ Advantages

- Maintains Revenue Stream
- Creates awareness, grows user base
- Allows developer involvement
  - Code audits
  - Code enhancements/Feature additions
  - Speeds up your development process

## ■ Disadvantages

- May lead to some loss in revenue
- Copyright-assignment of patches may be tricky

## Examples

- MySQL
- ReiserFS

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# Business Model: Solution Integration



## Solution Integration

- Similar to the Product enhancement model
- Integrates existing FOSS components and applications to create new products or application stacks
- No addition of proprietary software
- Ongoing support and enhancement revenues

# Benefit Analysis

## ■ Advantages

- Extremely low development costs
- Very quick turnaround
- Vast innovation scope
- Ability to customise quickly for customers
- Support and enhancement revenues

## ■ Disadvantages

- Limited or no IP generation
- Easy to duplicate by competitors

## Examples

- Linux Clusters
  - Super computing
- Linux Distributions
  - Custom distributions for customers



# Business Model: Lowring Cost of End-of-Life



# Lowering Cost of End-of-Life

- EOL'ing a product affects customer base
- Customers react badly to obsolescence
- Offer post-EOL support (at a cost)
  - Builds goodwill
  - May not pay for itself
  - Defocussed, not strategic
- Option – Open Source the product

# Open Sourcing an EOL product

- Builds goodwill with customers
- Gives ample time for migration to newer solution
- Lowers internal support costs
- Keeps you focussed on strategic direction
- Provides opportunity for third-party support.

# Benefit Analysis

- Advantages
  - Builds goodwill with customers and industry
  - Reduces Costs
  - Maintains strategic focus
- Disadvantage
  - May not always be an option

# Questions?

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