



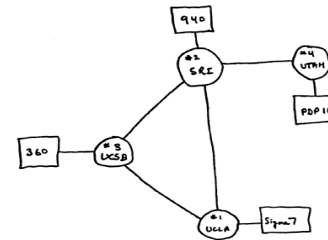
# The End of Ossification: Strategic Opportunities in Open Source

Rebecca Hansen  
Open Source Strategy Manager,  
Open Source Group



# Next Step in the (R)Evolution

- Computers changed everything
- PCs changed everything
- The Internet changed everything



- **Open source is changing everything**



“Open Source is the most significant, all-encompassing, and long-term trend that the industry has seen since the early 1980s” IDC 2006

# Agenda

- Open source revolution
  - > Three requisite forces
- The open source wave
  - > Substantiation
- Ride the wave
  - > Rebalance markets and power
  - > Share
  - > Save money and create wealth

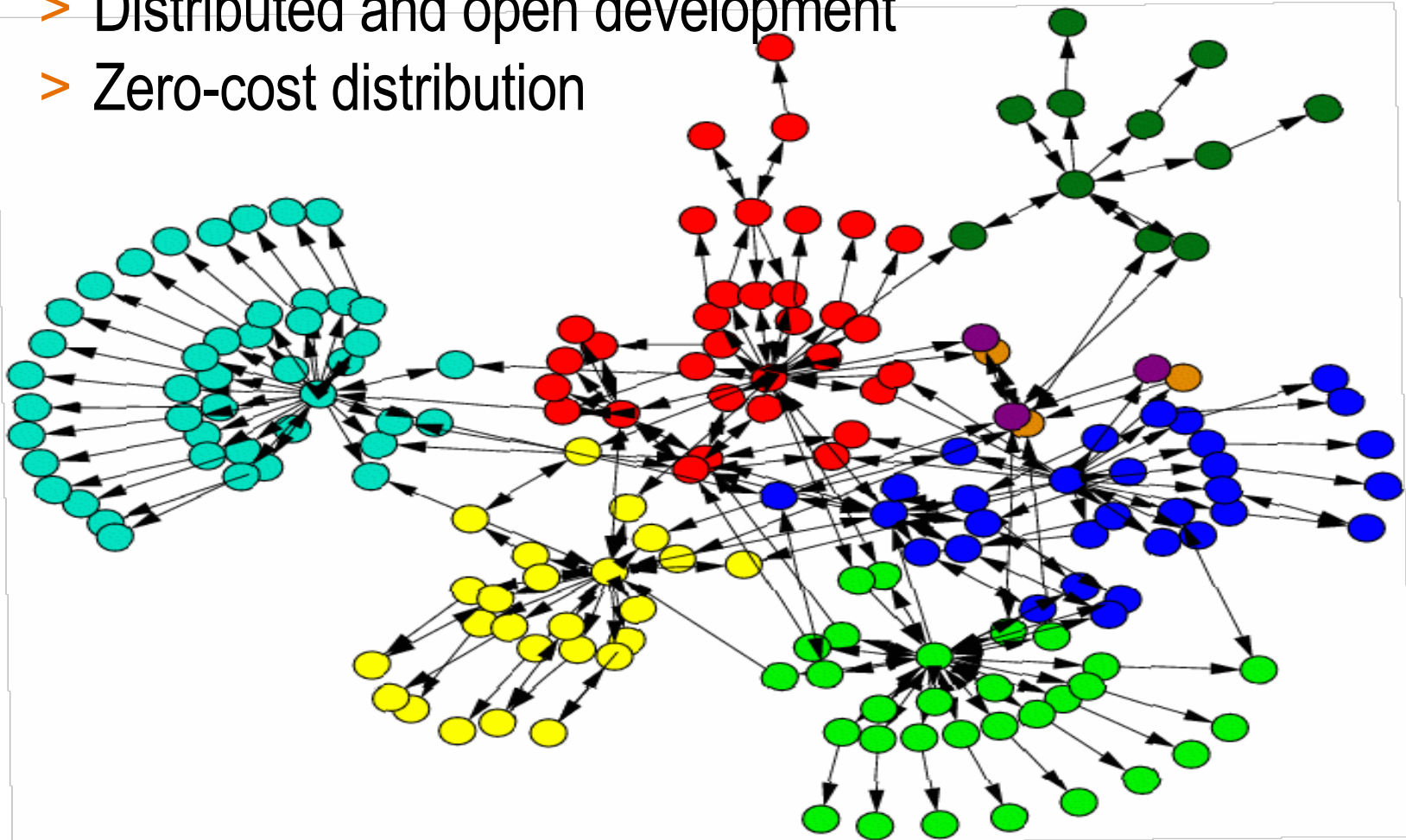
# The Three Forces





# Force #1: The Network

- Makes possible
  - > Distributed and open development
  - > Zero-cost distribution



# Force #2: Communities

- Shared roles and goals
  - > Creates healthy dependencies
  - > “Win-win” wins

Vendor



User

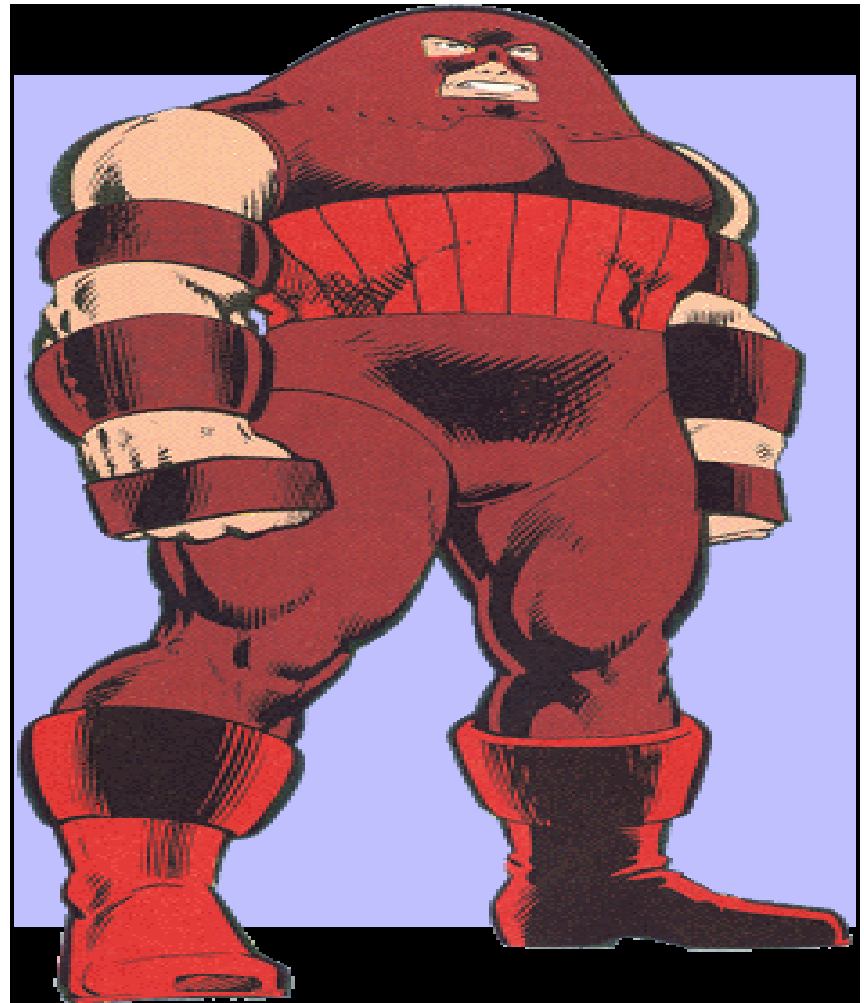


“Community Member” =  
Partner, Customer, User, Vendor, Competitor



# Force #3: Unbeatable Value Proposition

- Open source products are
  - > Lower cost
  - > Good enough
- Creates juggernaut
  - > Disrupts market
  - > Provides momentum



# The Open Source Wave





# The Developer and Business Wave

- **83%** developers world-wide contribute to open source  
IDC 2006
- **11 years** = average experience of average open source developer
- **87%** US businesses are using open source Optaros 2006
- **54%** organizations world-wide are using open source software in production IDC 2006
- **\$3.3m** = average amount saved by US companies with > \$1bn in revenue by using open source in 2004
- **\$550k** = saved by by US companies with <\$50m  
Optaros 2006

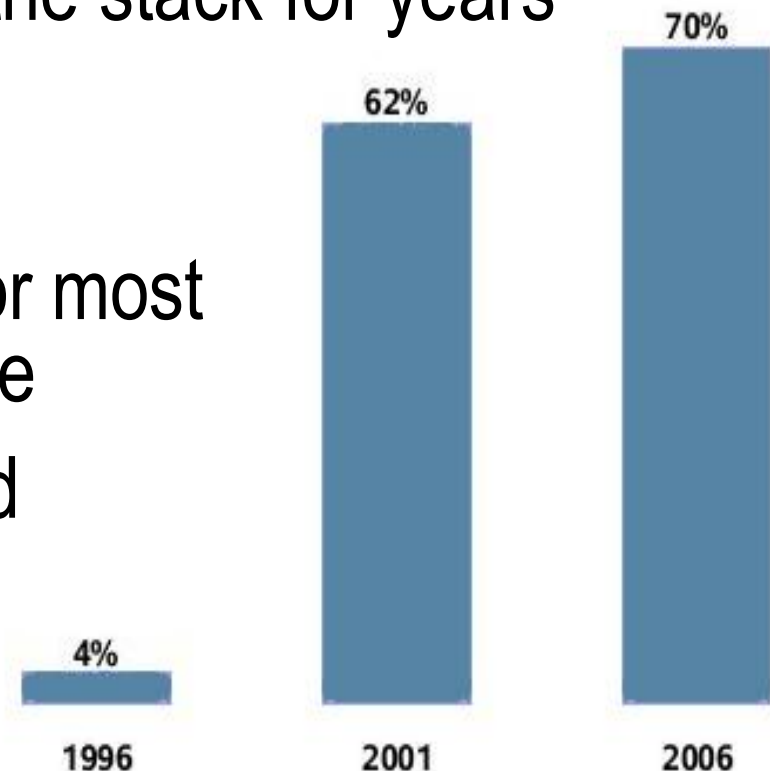
# The Government Wave

- Stated preference for open source
  - > China, Germany, Belgium, Iceland, Israel, Malaysia, Portugal, South Africa (and others)
- Proposed or are mandating open source
  - > Brazil, Argentina, France, Finland, Italy (and others)



# It's Hit the Shore

- Well established in parts of the stack for years
  - > GNU/Linux
  - > Apache Web server
- Open Source equivalents for most software, including enterprise
- Open Source favored to lead in every market over time



Apache Web Server Market Share  
(source: Netcraft)

# Ride the Wave





# Rebalance Markets and Power

**2003**



**2006**



# Problem: Ossified Markets (example)

Based on Total Software Revenue (Millions of Dollars)

Vendor	Market Share		Market Share		Growth 2004-2005
	2004	2005	2004	2005	
Oracle	6,234.1	6,721.1	48.9%	48.6%	7.8%
IBM	2,860.4	3,040.7	22.4%	22.0%	6.3%
Microsoft	1,777.9	2,073.2	13.9%	15.0%	16.6%
Teradata	412.1	440.7	3.2%	3.2%	6.9%
Sybase	382.8	407.0	3.0%	2.9%	6.3%
Others	1,090.4	1,134.5	8.5%	8.2%	4.1%
<b>Total</b>	<b>12,757.1</b>	<b>13,817.2</b>	<b>100%</b>	<b>100%</b>	<b>8.3%</b>

Source: Gartner Dataquest (May 2006)

# Opportunity: OS(DB) Market

- Unbeatable appeal

- > Lowered costs
- > Ease of Use
- > Avoid vendor lock-in
- > Good enough

> **“80% of all applications only require 30% of the features in top DBMS”**

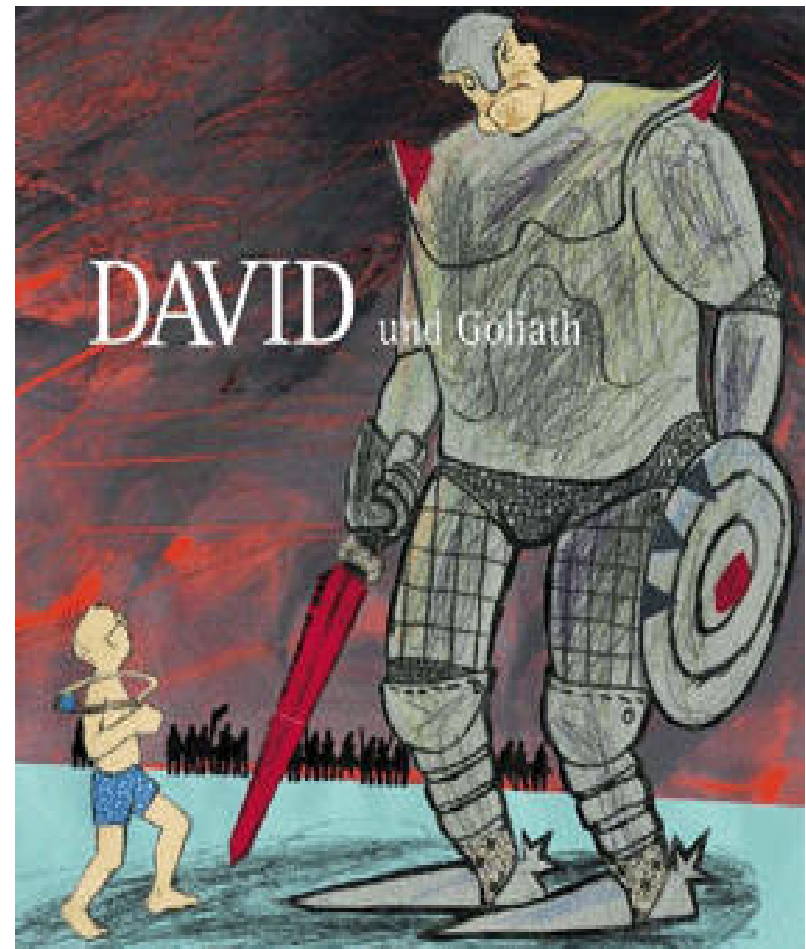
- Market growth

- > \$400 million in 2006 ==> \$1bn by end 2008
- > OSDB rate of adoption higher than Linux



# Strategy: Redistribute Power

- Be(come) open source
  - > Offer value incumbents can't
- Befriend open source
  - > Make powerful new friends
- Use open source
  - > Lower cost base



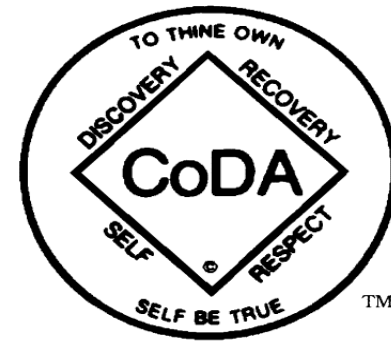


# Share



# Problem: Relying on Others (or yourself) to Meet Your Needs

- OEM technology you need but don't make
  - > Expensive
  - > Risky
- DIY or acquire
  - > Retain control
  - > Outside core strength
  - > Expensive
- Example:
  - > Sun's DB proliferation



# Opportunity: Don't License, Buy, or Build the Cow



# Strategy: Share the Cow

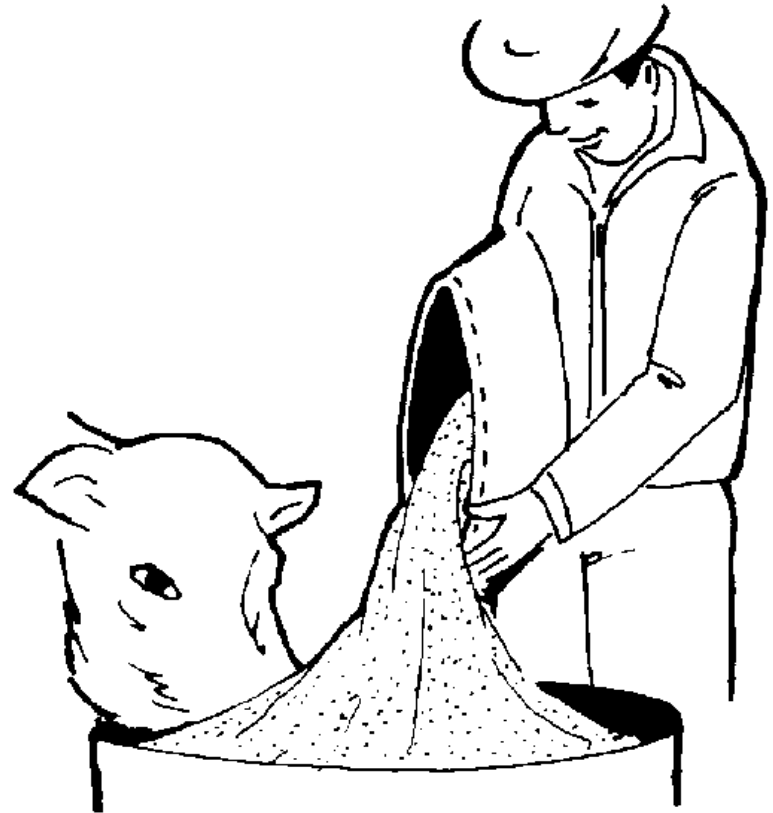
- Use the technology\*
  - > \*Check license
- Participate in community
- Example:
  - > Use Derby
    - > SQL technology for Sun's product use
    - > Invest in development





# Strategy: Feed the Cow (example)

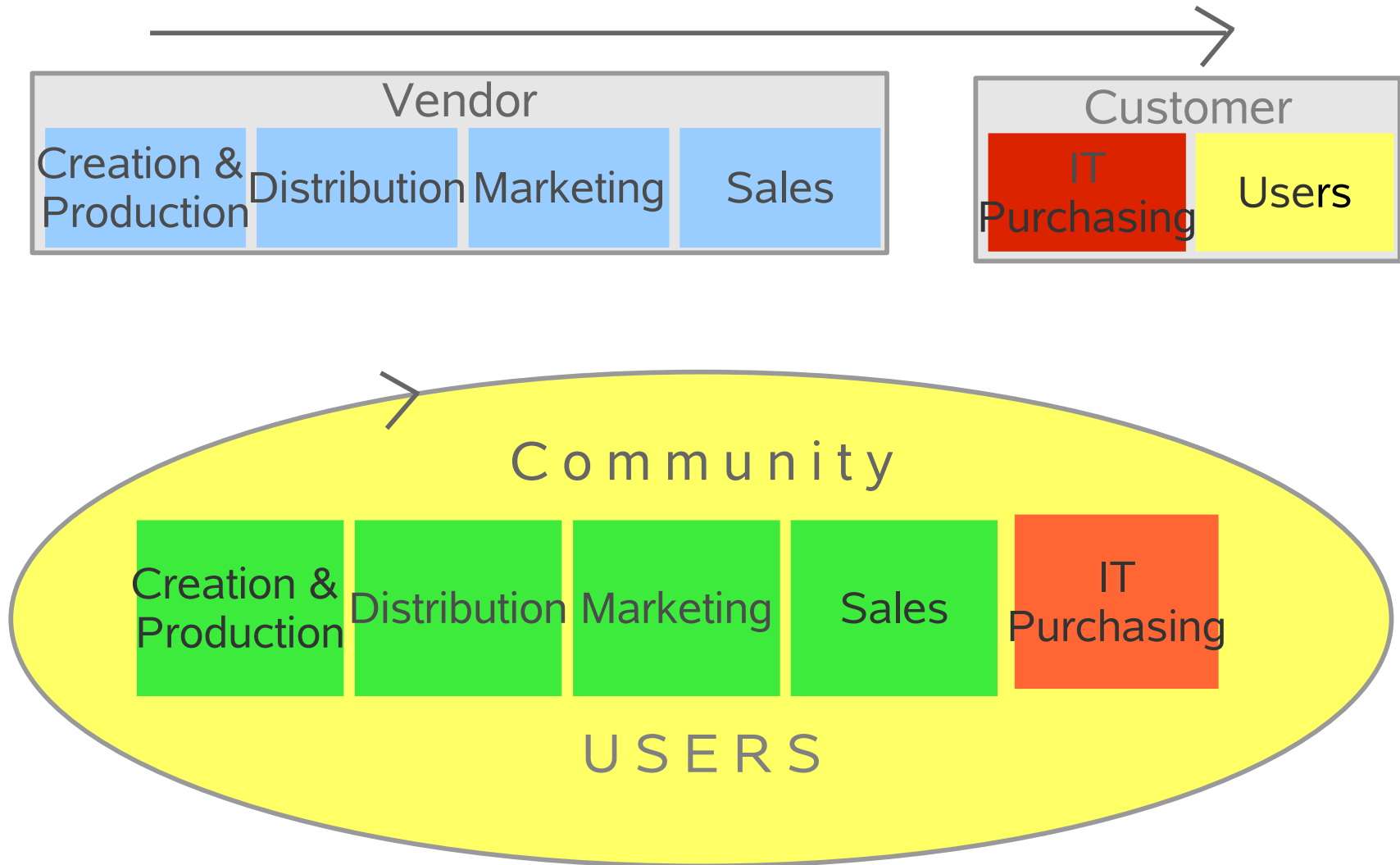
- OS(DBs) Gain
  - > Developers / members
  - > Greater market awareness
  - > Broader distribution
  - > Access to new (enterprise) customers



# New Ways to Wealth



# Opportunity: New Ways to Preserve and Generate Wealth



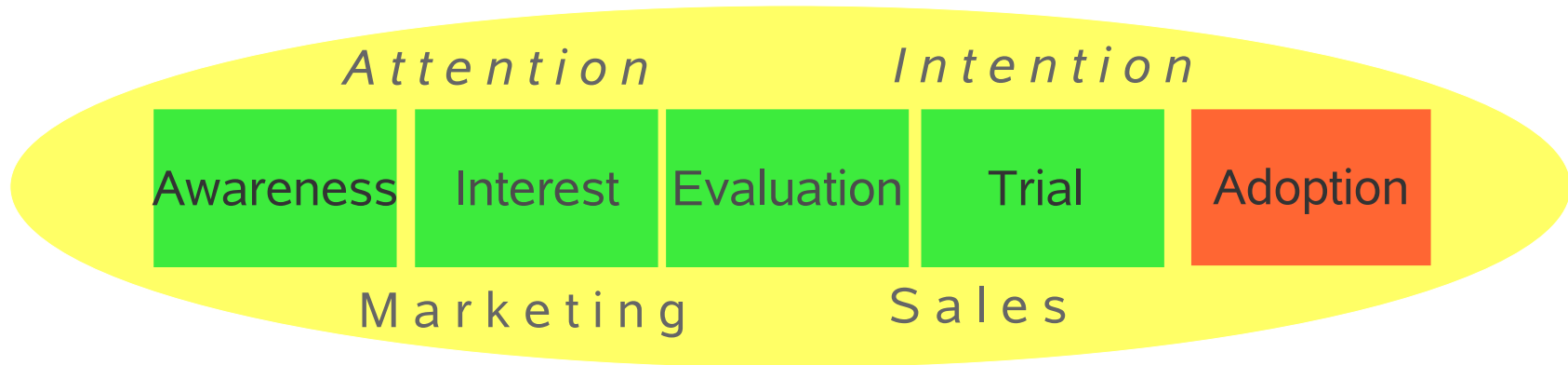
# Strategy: Share Production

- Share costs on commodity base
- Expend resources on unique value-creation
- Raise quality and security
- Use as:
  - > Component: Derby (Java DB) in Sun Portal Server
  - > Base: Postgres in BizGres MPP
  - > Product: OpenOffice.org





# Strategy: Share Marketing and Sales



*Let community do it, peer-to-peer*

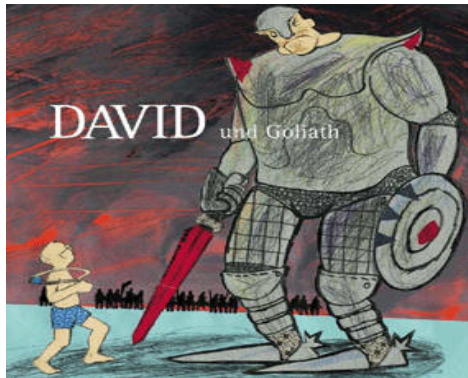
- Relational vs. transactional
  - > Identification
  - > Word of mouth
- Many-to-many
  - > Dynamic and WIDE-reaching
    - > Blogs, RSS and Atom feeds, mail-lists, conferences,

# Strategy: Create Wealth

- At point of value
  - > Production support and services
    - > Most profitable
    - > Perpetual revenue stream
  - > Value-add differentiation
- By increasing the addressable market
  - > Installed base matters
- With complementary products



# What's In It For You?



# Why I Love Working in Open Source

- Change
- Elegance
- Goodness

# Kumbaya







# The End of Ossification: Strategic Opportunities in Open Source

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Page 1

Open source is a powerful force.

It changes not only software costs but the structure around software industry, moving players and business models that haven't budged in years.

Those structural changes bring the need and opportunity for different strategies.

## Next Step in the (R)Evolution

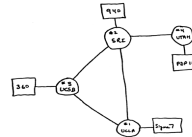
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“Open Source is the most significant, all-encompassing, and long-term trend that the industry has seen since the early 1980s” IDC 2006

[http://www.computerhistory.org/exhibits/internet\\_history/](http://www.computerhistory.org/exhibits/internet_history/)

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Each step in the technology revolution has enabled us to do more, faster  
Each has changed how we we work, and even our definitions of work  
They've changed how we interact and with whom we interact (now, our social  
“networks”)

Opening up the development of software, with corresponding changes to the licensing  
is impacting our work, our work and our lives just as each of the preceding steps  
has.

IDC believes that open source software represents the most significant all-  
encompassing and long-term trend that the industry has seen since the early  
1980s. IDC report, 2006

Why? Three big, interconnected forces:

Internet Drawing source: [http://www.computerhistory.org/exhibits/internet\\_history/](http://www.computerhistory.org/exhibits/internet_history/)

## Agenda

- Open source revolution
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- The open source wave
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- Ride the wave
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  - > Share
  - > Save money and create wealth

## The Three Forces



<http://www.mandalas.com/YogaYantraGallery/threeforces.php>

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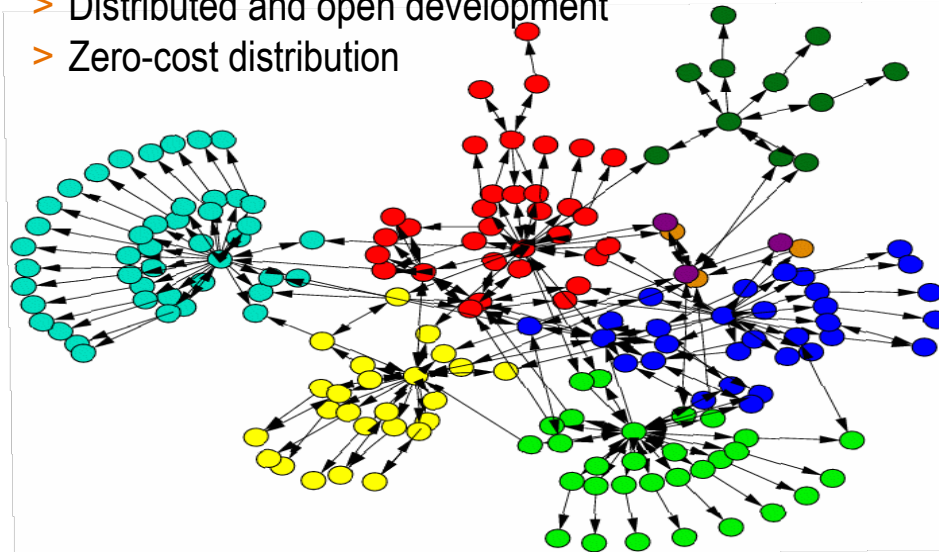
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Image source:

<http://www.mandalas.com/YogaYantraGallery/threeforces.php>

## Force #1: The Network

- Makes possible
  - > Distributed and open development
  - > Zero-cost distribution



<http://www-personal.umich.edu/~mejn/networks/attweb.gif>

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Closed development wasn't done just as a means of keeping hold of intellectual property and competitive advantage: without the network, there was no other way.

Open source is an artefact of the network because it has changed the rules of the firm (see Coases' Penguin). Under the old rules, being co-located in a company was the best (and really only) venue in which to develop software. With the network, that venue becomes the world: we can share source over the network and download whole operating systems in minutes. Before, we had to be physically in the same location and pass around code on tapes.

Open source accelerates network adoption because it competes with non-consumption: many more businesses are on the network because they can afford it. Better software is developed, standards are adopted, etc. etc.

"Web site" network image originally from Physical Review E 69, 026113 (2004).  
<http://www-personal.umich.edu/~mejn/networks/attweb.gif>

## Force #2: Communities

- Shared roles and goals
  - > Creates healthy dependencies
  - > “Win-win” wins

Vendor



<http://www.gofastracks.com>

User



“Community Member” =  
Partner, Customer, User, Vendor, Competitor



[www.twinsworld.com/quads/index.htm](http://www.twinsworld.com/quads/index.htm)

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**Vendors of proprietary products and their customers generally have linear, transactional relationships. Vendors created and compiled the software code on their own. Customers paid to acquire and use it. Customers could never see, let alone develop, or modify the proprietary SW they owned.**

**Open source products are built by “communities” in the public domain. Anyone can join the community, look at the source code and contribute code if their work is deemed of sufficient quality.**

**Vendors, users, customers, partners and even traditional competitors may be members of the same community. This aligns their goals such that, only by acting in ways that benefit the whole can the individual member benefit.**

**In a one-to-one relationship, both are generally benefited by the other’s prosperity. However, there are times, such as in locked-markets, when one party (usually the vendor) has inordinate power or control over its competition and customer and is able to achieve supernormal profits though without providing additional value over competing products. The benefit accrues unilaterally to the vendor.**

**In open source, the balance of power shifts to the community, which is not “owned” or controlled by any entity but rather by the collective. As vendors, partners, competitors, users, etc. participate as good members of this collective, they in turn benefit. Win-win.**

**Example: Sun and IBM are both members of the Apache Derby community and are benefited by each others' participation though we otherwise compete on most fronts. We're starting to dress alike.**

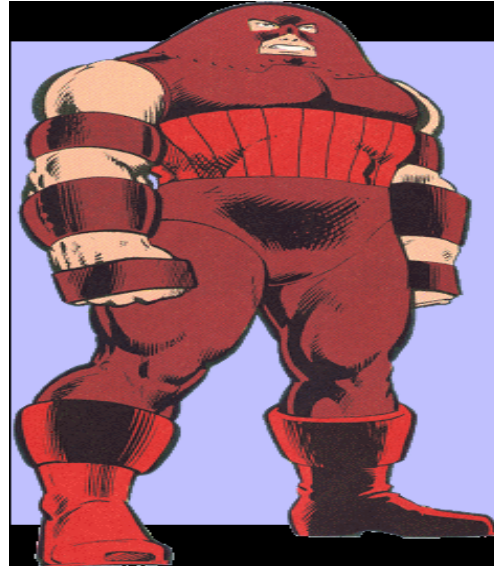
Business man image source: <http://www.gofastracks.com>

Triplets Image Source: [www.twinsworld.com/quads/index.htm](http://www.twinsworld.com/quads/index.htm)



## Force #3: Unbeatable Value Proposition

- Open source products are
  - > Lower cost
  - > Good enough
- Creates juggernaut
  - > Disrupts market
  - > Provides momentum



[http://www.marveldatabase.com/wiki/index.php/Image:Juggernaut\\_001.gif](http://www.marveldatabase.com/wiki/index.php/Image:Juggernaut_001.gif)

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Open source products and technologies are generally free to acquire and use, though their usage may be restricted depending on the type of license used

Their level of sophistication and especially quality is increasingly deemed more than good enough for many or even most applications.

Unlike other industries, there can be little to no market for luxury or status goods in technology.

A driver might choose a Hummer over a Corolla though s/he will likely never encounter a bomb, IED or even gunfire and the Corolla could more than adequately meet the driver's transportation needs.

Businesses may elect to use products and technologies that are higher cost though really no better at meeting their needs so long as its competitors are doing likewise. However, if its competitors are able to perform equally well at far lower cost by using open source products and technologies, the business must follow suit or attempt to remain in business providing the same product at a higher cost or at lower margins. Good luck!

Image: [http://www.marveldatabase.com/wiki/index.php/Image:Juggernaut\\_001.gif](http://www.marveldatabase.com/wiki/index.php/Image:Juggernaut_001.gif)

## The Open Source Wave



[wallnco.free.fr/Divers/image3.htm](http://wallnco.free.fr/Divers/image3.htm)

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Image source: [wallnco.free.fr/Divers/image3.htm](http://wallnco.free.fr/Divers/image3.htm)

Those three forces (The Network, The Community and The Unbeatable Value Prop) all combine to create The Open Source Wave.

Evidence of the wave follows:

## The Developer and Business Wave

- **83%** developers world-wide contribute to open source  
IDC 2006
- **11 years** = average experience of average open source developer
- **87%** US businesses are using open source Optaros 2006
- **54%** organizations world-wide are using open source software in production IDC 2006
- **\$3.3m** = average amount saved by US companies with > \$1bn in revenue by using open source in 2004
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Optaros 2006

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Open Source has already made its way into businesses, offering considerable cost-savings.

- Estimated 800,000 developers contributing to open source,CSC, 2004  
with an average of 11 years experience Boston Consulting Group, 2002
- 87% of US businesses are using open source. Optaros, 2006
- It is estimated that 83% of all developers contribute to open source in some way.IDC, 2006
- 
- Lower cost: In 2004, US companies revenues of >\$1bn saved an average of \$3.3m through open source,  
those with revenues under \$50m saved an average of \$550k Optaros, 2006
-

## The Government Wave

- Stated preference for open source
  - > China, Germany, Belgium, Iceland, Israel, Malaysia, Portugal, South Africa (and others)
- Proposed or are mandating open source
  - > Brazil, Argentina, France, Finland, Italy (and others)



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- \*OSS supports and develops economies
- \* OSS allows governments to share solutions between agencies
- \* OSS allows sovereignty: governments can create custom solutions and localization even without the support of a specific vendor due to the availability of the source code

For example, a Brazilian government official remarked (in meeting with Simon Phipps) that cost-savings was only a part of the reason for the Brazilian government's use of open source SW. The largest reason is to keep the wealth and industry in Brazil and lessen dependence on foreign companies and countries.

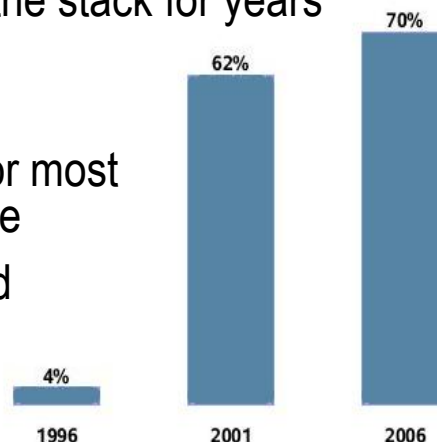
As goes the government, so goes the private sector...?

\*In these countries, there is a heightened awareness of open source sw and a greater propensity to adopt: "if it's good enough for e.g., The Ministry of Defense, then it's probably good enough for me.

\*Also, many countries exert control over private sector spending as well (China, Russia)

## It's Hit the Shore

- Well established in parts of the stack for years
  - > GNU/Linux
  - > Apache Web server
- Open Source equivalents for most software, including enterprise
- Open Source favored to lead in every market over time



Apache Web Server Market Share  
(source: Netcraft)

Open source has taken off with the network, so we are only now seeing the first flowerings. One of the earliest bloomers was the Apache webserver, which appeared in the mid 90s and has gained more and more traction in the market: although the dominant solution in the market, it continues to gain market share.

GNU/Linux is a well established server platform (28.3% of server shipments in 2004, and projected by IDC to reach 37.6% of sever shipments in 2008), and is now moving to the desktop (still 3<sup>rd</sup> behind Apple, but widely predicted to overtake it).

Proprietary software will increasingly become a niche.

## Ride the Wave



[http://www.kaboem.nl/data/media/\\_shared/media/100x70/boyz/filmpjes/big-wave.jpg](http://www.kaboem.nl/data/media/_shared/media/100x70/boyz/filmpjes/big-wave.jpg)

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**Open source will be big: the question is how can you take advantage its power.**



## Rebalance Markets and Power



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Users get locked in and superior (technology, cost) competitive offerings can get locked out.

Open source has the power to unlock markets which have been stagnating for years. Freeing up these markets with standard solutions drives competition, innovation and growth.

For example, the only browser to successfully challenge Internet Explorer's market dominance was not created by another computer superpower by the the Mozilla Foundation with its Firefox browser

## Problem: Ossified Markets (example)

Based on Total Software Revenue (Millions of Dollars)

Vendor			Market Share	Market Share	Growth
	2004	2005	2004	2005	2004-2005
Oracle	6,234.1	6,721.1	48.9%	48.6%	7.8%
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<b>Total</b>	<b>12,757.1</b>	<b>13,817.2</b>	<b>100%</b>	<b>100%</b>	<b>8.3%</b>

Source: Gartner Dataquest (May 2006)

The database market is an example of a mature and ossified market.

The top three vendors hold disproportionate shares of the market, esp Oracle which has more than double its next closest competitor (IBM).

The top three may jockey for position but it's unlikely that, e.g., Sybase will be moving into one of the top spots though it arguably has (or had) better products and prices

It is risky for customers to use a vendor with much lower market share because fewer complementary technologies will be ported to or optimized for that product. There also will be fewer people who have skills related to that technology. These can make the TCO (total cost of ownership) much higher than other seemingly more expensive products or eliminate them from consideration altogether. And so the imbalance is perpetuated

Locked markets can be unlocked usually by:

1. Breakthrough, market changing technology. It happens infrequently. Most advances are incremental and the shift to a new technology is usually slow.
2. Equivalent value or sufficient value at lower cost.

## Opportunity: OS(DB) Market

- Unbeatable appeal
  - > Lowered costs
  - > Ease of Use
  - > Avoid vendor lock-in
  - > Good enough
    - > “80% of all applications only require 30% of the features in top DBMS”
- Market growth
  - > \$400 million in 2006 ==> \$1bn by end 2008
  - > OSDB rate of adoption higher than Linux

Apache Derby 



MySQL 

INGRES® BUSINESS OPEN SOURCE

Source: Forrester Open Source Database Wave, 6/2006

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Open source databases, however, are disrupting the DB market.

The benefits of open source SW are particularly valuable to DB customers.

\*Lowered costs: Because of the market lock, the fact that it is very difficult to migrate databases, and the necessary investment in highly skilled and expensive database administrators, the largest expense in an enterprise solution stack is usually the DB, and it is an ongoing expense.

\*Ease-of-use: High-end databases are extremely complex and difficult to administer and manage.

\*Avoiding lock-in: As noted above, DB customers have experienced the high price of bondage and so want to avoid.

\*Good enough: This (80% of all applications require only 30% of the features in the top DBMSs) is what arguably puts OSDBs at, and now over, the tipping point.

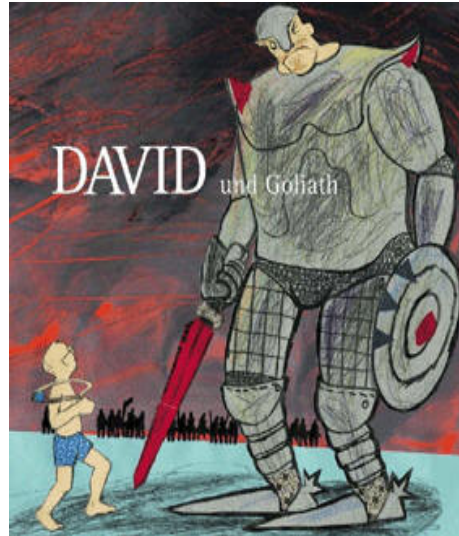
Market growth: Large scale adoption has begun. And, market presence drives market growth through: greater awareness; heightened confidence as reference other users; more applications being created for use with OSDBs.

Analysts predict that, just as Linux started out at the periphery and is now in the datacenter, the same will happen with OSDBs\* only faster as Linux has paved the way.

\* N.B., no one has posited that OSDBs are 1:1 replacements for the high-end RDBMSs but that they are good enough for many or most DB applications. Given the extremely high cost of migrating databases, OSDBs are generally used for new database applications vs. replacing existing Dbs, though plenty of examples exist (e.g., Enterprise DB, based on PostgreSQL, specifically targets Oracle users for migration).

## Strategy: Redistribute Power

- Be(come) open source
  - > Offer value incumbents can't
- Befriend open source
  - > Make powerful new friends
- Use open source
  - > Lower cost base



[http://www.gs-media.ch/buch\\_5.htm](http://www.gs-media.ch/buch_5.htm)

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There are effectively three strategies for using open source to disrupt markets:

1. Become open source, offering compelling solutions at prices the incumbents can't, whether due to their cost-structures or inability to drop their margins.
2. Partner with open source. Just as with market-leading ISVs, align your product or offering with theirs. Port, optimize, distribute, engage in joint marketing, or rather, community development, etc. Will provide examples of how Sun is doing this with open source databases.
3. Use open source to lower your cost of development on differentiating technologies and services

image source: [http://www.gs-media.ch/buch\\_5.htm](http://www.gs-media.ch/buch_5.htm)

## Share



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**Leveraging others isn't a bad thing when it's for mutual benefit**

**For example Sun has invested in the development of open source projects that it in turn uses or benefits its customers.**

## Problem: Relying on Others (or yourself) to Meet Your Needs

- OEM technology you need but don't make
  - > Expensive
  - > Risky
- DIY or acquire
  - > Retain control
  - > Outside core strength
  - > Expensive
- Example:
  - > Sun's DB proliferation



[http://www.coda.org/starter\\_packet/Starter\\_Packet2002b\\_files/image001.gif](http://www.coda.org/starter_packet/Starter_Packet2002b_files/image001.gif)

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**OEM definition (with help from Wikipedia):** An original equipment manufacturer (frequently abbreviated "OEM") is a company that builds products or components which are used in products sold by another company. For example, a hard drive in a computer system may be manufactured by a corporation separate from the company that markets and sells the computer. "OEM" is often (mis)used as a verb, such as, "we are going to OEM the widget that goes into our Sprocket product instead of building it ourselves."

OEMing components can save costs, make a product design possible, and keep a company from extending beyond its core competence. All good.

However, once an OEM component is in a product, it usually creates a dependency -- the product design now requires this component and it is often quite difficult to remove or replace the component once in.

Many Sun products rely on database technologies but Sun is not a database company. Different product groups in Sun had different inbound licensing agreements with different or even the same database vendors. The combined license fees were high and rising. Managing the different technologies and even the licenses was expensive. There was always the risk that a company would get bought, go under or wouldn't develop the capabilities our products needed.

The alternative to OEMing the technology is to produce it yourself or acquire a company. Getting into the database business would be extremely expensive and outside of Sun's strengths. Not attractive.

What to do...?

Image Source:

[http://www.coda.org/starter\\_packet/Starter\\_Packet2002b\\_files/image001.gif](http://www.coda.org/starter_packet/Starter_Packet2002b_files/image001.gif)



## Opportunity: Don't License, Buy, or Build the Cow



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**Open source products and technologies provide an elegant solution for the OEM dilemma:**

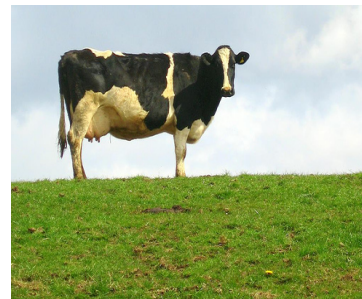
**You don't want to our can't buy it or build it yourself but you don't want to to expose yourself and products to the risk of relying on a third party over whom you may have little control, especially once the component is in your product.**

**Yes, you can get the technology you want without having to license, buy or build it yourself!**

**Just do your part in taking care of the cow.**

## Strategy: Share the Cow

- Use the technology\*
  - > \*Check license
- Participate in community
- Example:
  - > Use Derby
    - > SQL technology for Sun's product use
    - > Invest in development



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Open source technologies and products available under, for example, the Apache or BSD licenses, may be used in other even proprietary products for free and do not require that the rest of product also become open source.

There are two types of developers in the community: those who essentially use the product as is but submit or request fixes and features but generally don't develop new features and those who develop new capabilities.

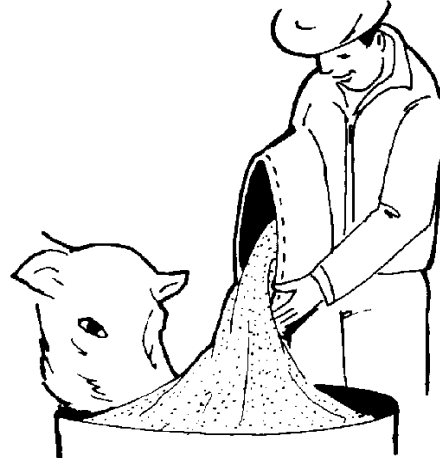
As discussed, Sun needed DB technology and Derby was ideal for our needs: Apache licensed and governed, Java-based, and small with standards support, clean modular architecture, and sophisticated capabilities.

Sun has a number of engineers developing Derby as part of the community. This enables us to get specific capabilities that we need and to further enhance the base product. Using Derby has saved Sun money and reduces the risks inherent in normal OEM relationship.

Java DB is Sun's supported distribution of Apache Derby. Why "Java DB"? Apache license rules dictate that any change to the base code cannot be called "Derby". Java DB is not a code fork and is essentially unchanged from the base code, but we have flexibility should we need to make a special release to meet our products' needs to add value-add modules at some point.

## Strategy: Feed the Cow (example)

- OS(DBs) Gain
  - > Developers / members
  - > Greater market awareness
  - > Broader distribution
  - > Access to new (enterprise) customers



<http://austin.about.com/library/clipart/cows/fsl0694.gif>

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The companies that use open source technologies in their products are clearly benefited.

They also benefit the communities largely through

\*Expanding awareness, user s and communities, perhaps into new market segments.

\*increasing the distribution of the open source product beyond those who visit and download off of the community Web-site.

For example, Java DB will be shipped with every copy of the new JDK 6, putting Derby technology into the hands of literally millions of Java developers.

\* Adding new capabilities to the open source product

\* Enabling that product to work better with other, extant products with complementary positioning and capabilities.

Image source: <http://austin.about.com/library/clipart/cows/fsl0694.gif>

## New Ways to Wealth



<http://www.kclibrary.org/images/guides/personalfinance/piggybank.jpg>

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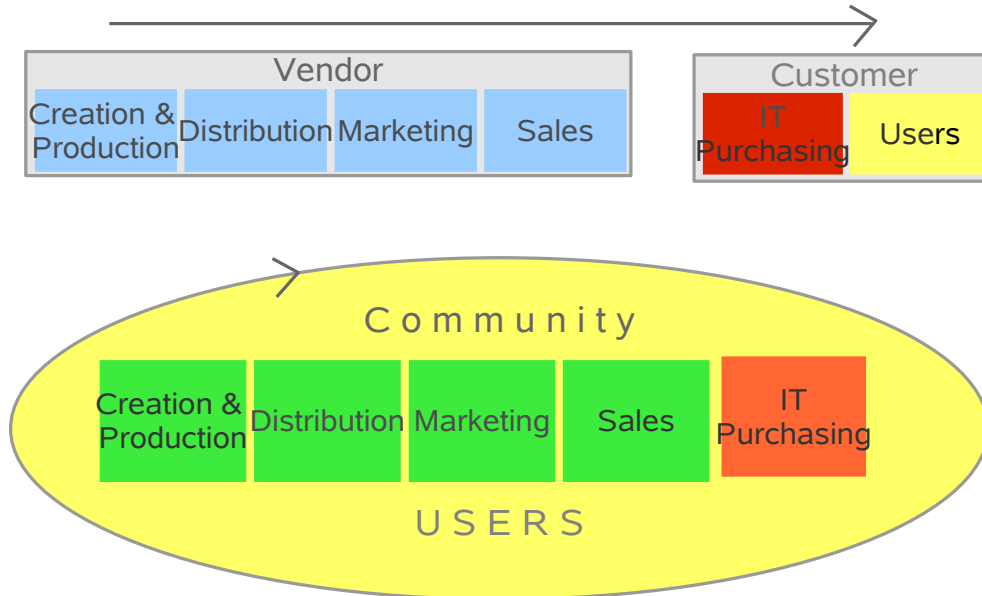
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So, if it's free, where does the money come in?

Image source: <http://www.kclibrary.org/images/guides/personalfinance/piggybank.jpg>

# Opportunity: New Ways to Preserve and Generate Wealth



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**A variation on the classic Porter value chain.**

**With proprietary goods, the vendor engages in producing, distributing, marketing and selling products.**

**The customer assesses and buys and then uses the product.**

**Each activity is discreet, performed by different people who may not have a lot of contact with each other. The customer and vendor are quite apart.**

**The flow is linear and transactional, an exchange of goods for money.**

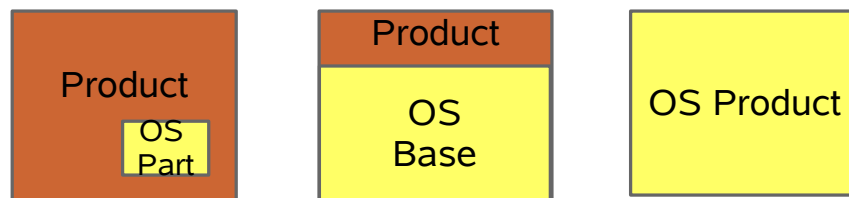
**With open source goods, the user community gets involved in each step. (Note the color changes with the addition of community / user yellow :-). Sharing the work with the user community provides, opportunity for greater efficiencies and cost reduction.**

**With a lot of the value being delivered by and for the community vendors need to determine what unique value they bring to the table and how they can be compensated for it. Will be covered in two slides.**

**Not only is the work shared, but it's done more intelligently with users involved and informing each step. The end user is always the target. Who knows better what new capabilities need to be added to a product, or how to communicate with the target audience, or distribute it in ways that are effective than the user him / herself.**

## Strategy: Share Production

- Share costs on commodity base
- Expend resources on unique value-creation
- Raise quality and security
- Use as:
  - > Component: Derby (Java DB) in Sun Portal Server
  - > Base: Postgres in BizGres MPP
  - > Product: OpenOffice.org



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**Sharing in product development has obvious cost savings, especially for non-core or commoditized products and technologies..**

**Using the community open development model means that it's looked at and tested multiples more people at every step of development (not just at alpha or beta). Also, developers work harder to produce good and "clean" code when they know it will be seen publicly. The result is higher product quality and security.**

**There are three ways (though in actuality it's more a continuum) in which to leverage open source development in commercial products.**

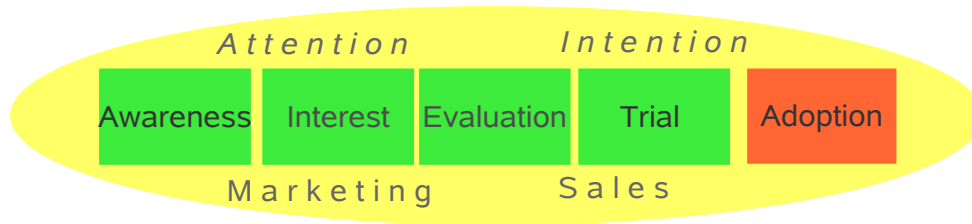
**Use it as a product component (OEM). The commercial product is probably different from the component**

**Build added value capabilities to the product or technology, In this case the commercial product and base open source product are the same type, the former is an enhanced version; and**

**Use the OS product as is, including it possibly as a complement to other products or selling support services for it.**



## Strategy: Share Marketing and Sales



*Let community do it, peer-to-peer*

- Relational vs. transactional
  - > Identification
  - > Word of mouth
- Many-to-many
  - > Dynamic and WIDE-reaching
    - > Blogs, RSS and Atom feeds, mail-lists, conferences,

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The goal of marketing and sales is customer adoption. There are five phases that a customer passes through prior to adoption. It's the goal of marketing and sales to increase the likelihood of target users entering and passing quickly through each phase to the next, and moving generally from Attention to Intention.

Some traditional activities are advertisements to increase awareness, customer success stories to peak interest, competitive data to facilitate evaluation, proof of concepts or limited license trial versions to encourage trials.

With proprietary products, and employing traditional marketing methods, the communication flow is often one (vendor) -to-many (users) which makes communication limited and largely impersonal until a sales person gets involved, if it ever reaches that point.

Marketing and sales can be dramatically changed within the context of the open source community :

1. it is relational vs. transactional

In the community, the activities that would generate awareness, interest, evaluation and trial are all done by the community. This is extremely powerful due to

\*Identification: someone like you is telling you about this product. They understand your needs. They also "speak your language".

\*Word of mouth: This is always the most powerful form of promotion. It's one-to-one and it's highly credible. Customer references and user groups are the most powerful means of communicating the value of a product to target users. The community is a big pool of references and usually, a highly active, perpetual user group.

2. It is Many-to-many

And therefore Dynamic and WIDE-reaching  
blogs, RSS and Atom feeds, mail-lists, conferences,  
"Best information is provisional, not final" (Doc Searles)

## Strategy: Create Wealth

- At point of value
  - > Production support and services
    - > Most profitable
    - > Perpetual revenue stream
  - > Value-add differentiation
- By increasing the addressable market
  - > Installed base matters
- With complementary products



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When customers pay to acquire software, they've yet to receive any value from it. Many times, they don't know if they'll really like it or if it will meet their needs. But, they'd already paid. I've heard customer talk about pricey software that literally sat on shelves, never installed or used. Open source software alleviates that problem in that most times, customer only pay when to into production and need support and services. This is good for the customer and not bad-to-good for vendors.

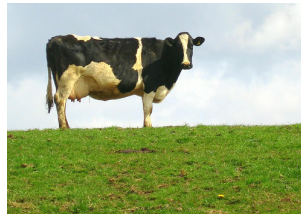
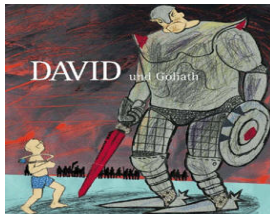
Software right-to-use license costs were sometimes sizable up-front, but always small in comparison to the revenue from ongoing maintenance and support. By lowering or waving the "get-in" up front costs, vendors attract more users and still are able get the revenue stream. The increase volume of sales can offset the lost license fees. As discussed earlier, because of the lowr cost of SW production, the cost or producing more software is relatively small.

Value-add differentiation added to OSSW benefits both the user and vendor. The vendor no longer needs to incur the cost of producing the commodity "base" and can focus its development efforts on developing capabilities that differentiate it from the competition and provide added value to the customers.

OSSW through its ability to disrupt markets or make its way into new and growing markets expands the number of potential users in ways other products can't. As noted earlier, size matters: the more people using a product or technology, the more complementary products and services are created, the larger the community grows, the better the product, etc.

Finally, you can increase the demand for products and servicesby effectively "linking" them to other open source products with growing markets.

# What's In It For You?



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**Open source is big and it's coming.  
How are you going to make it work for you?  
The possible ways:**

**Rebalance markets and power**

**Share**

**Preserve and generate wealth in new ways**

## Why I Love Working in Open Source

- Change
- Elegance
- Goodness

# Kumbaya



<http://gozer.ectoplasm.org/gallery/ApacheConUS2005/aak>

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