



OpenSource Business Models

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Experience

■ Sekans AB

- Fodder production
- Irrigation systems
- Hardware and software
- Distributors/integrators as customers

■ NetGuide Scandinavia

- ISP, Education, Consulting
- Software including OpenSource
- End users and companies as customers




Experience

- **Viscon AB**

- Consultancy
- Government agencies as customers

- **AB Strakt**

- Workflow systems
- OpenSource Strategy
- No customers yet
- Government agencies and large companies are the target

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- Which company is the largest and most successful OpenSource company in the world?



License models

■ Gnu Public License (GPL)

- Originated by Free Software Foundation
- Software must be delivered with source
- Derivatives must be publicly available
- Intricate ideology based restrictions on use
 - “Software must be free”
- Limits commercial use by others
- Limits the general applicability of your code



■ OpenSource

- Fulfill the criteria of the OpenSource Initiative
- BSD, Python
- Few restrictions on use
 - Use as you like, but don't forget to attribute the creators



- **Source Included**

- Availability restricted to customers

- **Closed Source**

- Traditional commercial model



How do I make a successful business?

- **Make a profit!**
 - Revenues larger than expenses
- **Customers generate revenue**
 - They are the only source of revenue
 - They will pay you if you deliver what they want



■ Select your business model

- Using OpenSource software
 - Added value through services
 - Consulting
 - Support
 - Distribution
 - Product knowhow is central
- Producing OpenSource software
 - Value through products
 - Problem domain knowhow is central



- **Competitors make things harder**

- Make sure you don't have any
- Make sure you are better than the ones you have



How to be better

- Superior Products
- Faster Development
- Better Developers
- Lower Costs
- Better Marketing
- Closer to the Customers
- Better Sales Force



Superior products

- Use OpenSource tools
- Use OpenSource components
- Innovate



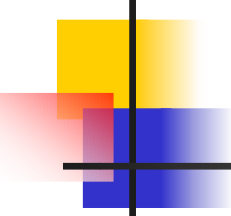
Faster development

- Use OpenSource tools
- Use OpenSource components
- Use the community
- Share



Better developers

- Attracted by soft factors
 - Benefit to the world
 - Personal development
 - Community
- You must still keep standard factors as salary, working hours and work environment at decent levels!

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- “I get to work with people I respect, producing competent work every day and on occasion a chance to do the best work of my life.”



Lower costs

- Use supported OpenSource software
 - Upgrades
 - Multiple platforms



Better marketing

- More arguments in the arsenal
 - See below
- Traditional marketing still applies



Traditional factors

- Closer to the customer
- Better sales force

- Don't miss them!
 - 95% of what you do hinges on being a good traditional business



Risks

- **Competitor steals your business model**
 - Low to medium risk
- **Do-it-yourself competition**
 - High risk
 - You have made the initial investment, the customer takes it without giving you any return on your investment



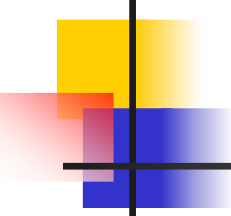
Investment example

- 5 people
- 1 year development
- 300' EURO Investment
- 600' EURO Payback
 - Bank loan 5 years
- 3 million EURO Payback
 - Venture capitalist



Next 5 years

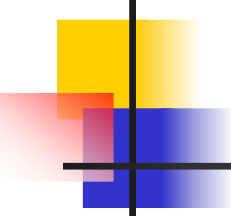
- 1.5 million EURO costs
- If bank financed:
 - 2.1 million in revenues = 420'/year
- If VC financed:
 - 300' in profits/year at the end of year 3
 - ~ 600' in revenues

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- 5 customers paying 100'
 - 50 customers paying 10'
 - 500 customers paying 1000
 - 5000 customers paying 100
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- Who will take care of 500 or 5000 customers?



Basic rules

- All customers are interested in low prices
- Competing with price will kill you
 - unless you are in a commodity market
 - unless you have enormous amounts of cash
 - Office Suites, Operating Systems and Webrowsers are commodities today (or at least on the way to becoming).

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- To beat MS you have to have a lower price and better quality
 - you may still fail, because MS is market leader
 - Conclusion: Stay out of commodities



Non-customers

- Private individuals



Customer advantages

- Primary advantages of OpenSource software
 - see that it is done properly
 - fix it if it breaks
 - find another vendor for support
 - modify it to my needs
- Unique selling points!
 - Irrefutable



- **Secondary advantages**

- better quality
- competitive market
- lower lifetime cost

- **Incremental**

- Subject to opinions
- Subject to marketing FUD



Difficult customers

- Farmers
- Craftsmen
- Shops
- Doctors, dentists, lawyers, real estate agents
 - Draw mainly on secondary advantages



Customers

- Who can draw benefits out of the primary advantages?



Government

- Ministries
- Tax office
- Agencies
- Schools and Universities
- Hospitals
- Libraries



Commercial

- Bank, finance, insurance
- Manufacturing industries
- Builders
- Couriers and carriers
- Telecom
- Wholesalers and distributors
- Medical industry



Should I OpenSource?

- Company Size
- Company Age
 - For a new company, the biggest challenge is to get known at all
- Business model



- **Product market**

- Will it help your competitors?

- **Product innovation**

- If your product is highly innovative, you are giving away your best competitive advantage

- **Alternatives**

- Review other license models
- Keep an open mind



Finally

- These are opinions that should provoke thought, nothing else!
- There is no standard recipe for success
 - There are however known ways to fail
 - Learn from other peoples mistakes