



Java. Cloud. Leadership.

Building a Business Around Open Source Software

(The Alan Turing Institute)

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Red Hat, Inc.

Open Source software can be profitable

- Red Hat

- Over \$2 billion in revenue
- Acquired by IBM for \$34 billion

- MySQL

- Acquired by Sun Microsystems in 2008 for \$1 billion

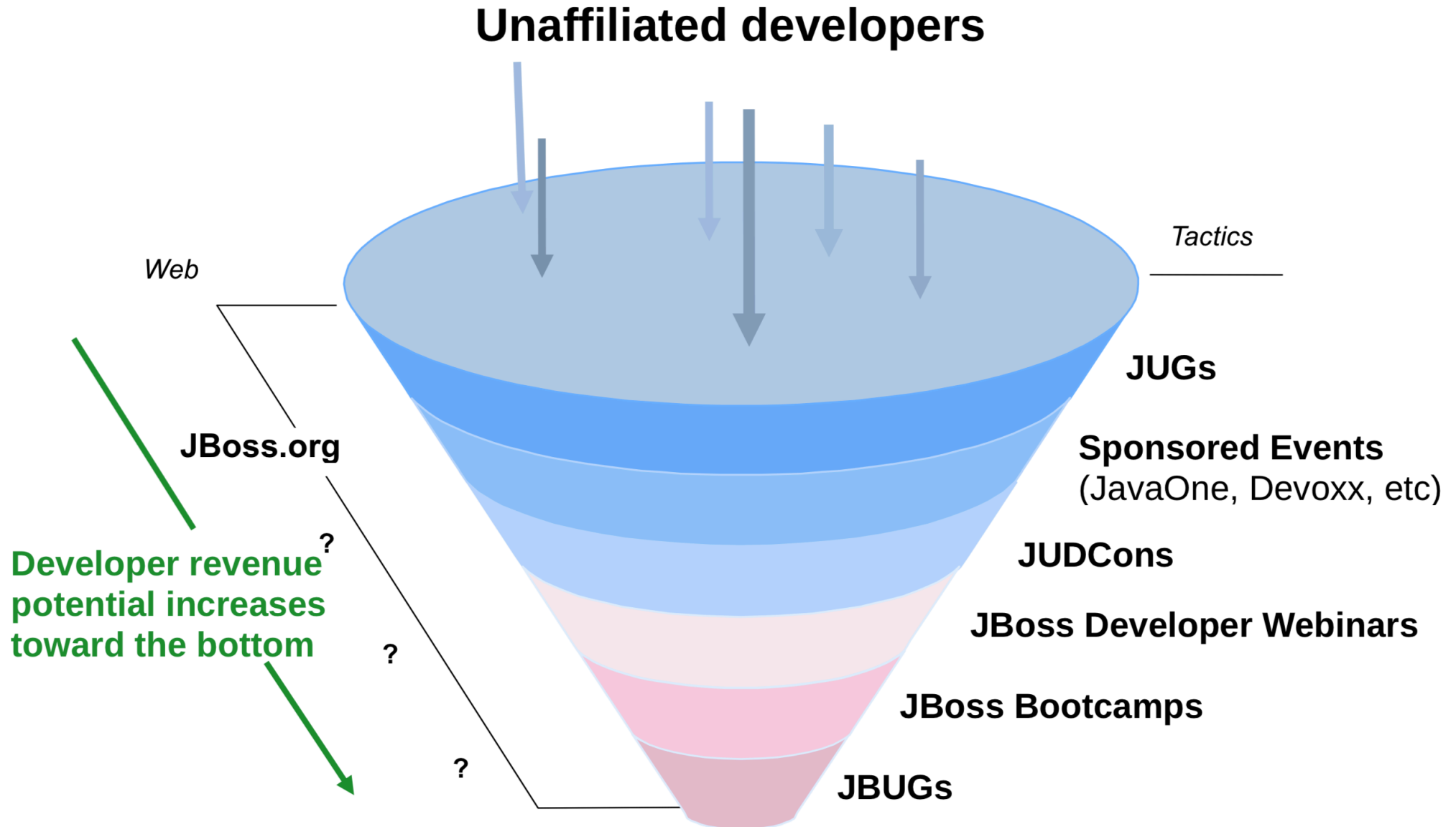
- Firefox, Android, Cloudera/Hortonworks, MuleSoft, Automattic (Wordpress), Elastic, MongoDB, Confluent, Databricks, ...



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Project versus product funnel



How do you turn interest into money?

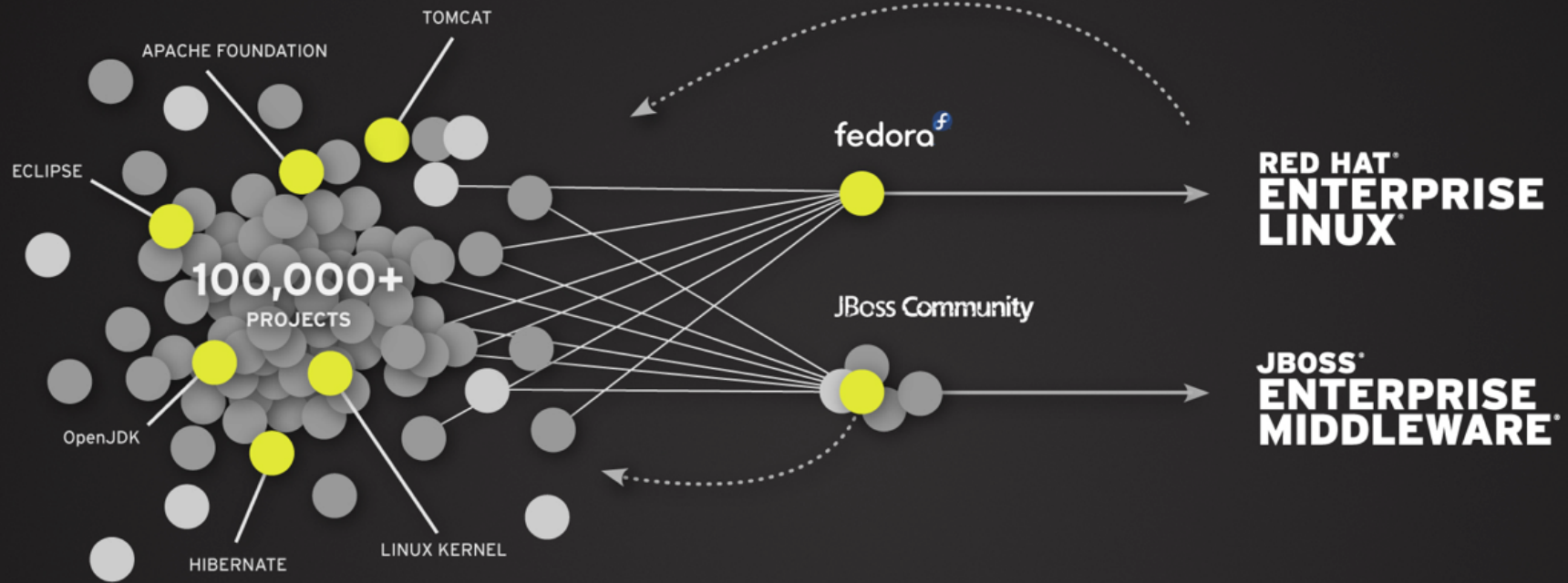
- Support and Services
- Advertising partnerships
- Restrictive licencing
- Additional features for money (e.g., open core)
- SaaS
- Donations

Support and Services

- Red Hat, Canonical etc.
- Offer software for free and charges enterprise users for technical support services
- Red Hat sells enterprise software certifications
 - Allow employers to find highly skilled IT professionals who have been certified by Red Hat and have demonstrated proficiency with Red Hat software tools
- But Red Hat is still the only open source company to generate > \$1 billion in revenue from this model

Productisation is crucial

- Few projects are product ready by default
- Not everything in an upstream project should go into a product
 - May be too immature
 - May be a feature that doesn't make sense
- Sanitisation of projects is important
- Not everything in a product may have gone mainstream yet
- Not everything in a project may have been built from source



PARTICIPATE

INTEGRATE

STABILIZE

Long term support implications

- Critical systems have long operational lifespans
 - Nuclear power - 30 years
 - Banking systems - 20 years
- Maintenance has to account for losing the vendor
 - Code into escrow but not skills
- Does open source help or hinder?
 - Communities can disappear over time too
 - But knowledge can be shared from the start

Testing

- Upstream projects typically focus on unit tests
 - Unit tests != QA
- Hardware and software limitations
 - Also impacts time to release
- Performance testing similarly
 - It's hard to do!
- Be prepared to commit people and hardware

Advertisement partnerships

- Mozilla Corporation is a for-profit subsidiary of the non-profit Mozilla Foundation
 - Earns revenue from partnerships, such as Yahoo and Google
 - 2014 Yahoo paid \$375 million per annum to make Yahoo the default search engine
- AdBlock Plus
 - Pay to NOT have your adverts blocked!

Restrictive licencing

- Create a legal reason for users of open-source software to pay
- Use an open-source license requiring anyone using the software in production to strike a commercial deal with the vendor
 - E.g., GPL and AGPL
- Has limitations
 - e.g., GPL-based license restrictions do not restrict unmodified usage
- Largest drawback is hurts adoption, often turning off potential users

Paid features

- Often called “open core”
- MySQL charges for premium features
 - Also sells support services
- Definition of how much stays open versus closed
- Zimbra, ElasticSearch, Neo4j (CE versus EE),
GraalVM (CE versus EE), Redis

SaaS

- Offer a fully-managed version of your project
 - Users can spin up a remote server in just a few clicks, not worry about backups, downtime, upgrades, etc.
- Has become a popular model for open-source
 - Common way for public cloud providers to monetise open-source projects without giving back to the community

Conclusions

- Broad adoption
 - “A successful open source project might monetise 1% of users”.
- Be credible
 - Be the company that users reach out to if they have a problem or a need
- Accept that competition is inevitable
- Your licence choice will affect your business model