

Lampitt or Leave It

Observations and Opinions in Software Engineering, Open Source, and Information Collaboration

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Open-Core Licensing: The New Standard in Commercial Software Business Models

I am sure you can imagine how surprised I am that my first blog post (on the Open-Core Licensing business model) is the blog that just keeps on giving.

I think most of us are completely sick of hearing and debating about it, but to quote Michael Corleone in the Godfather series, "Just when I thought I was out... they pull me back in.."

Back in August when I first posted about the Open-Core model, I was simply articulating what Jaspersoft and other of the more successful commercial open source vendors were doing. I invented nothing, just articulated it. I composed that blog out of frustration and wonderment as to how industry pundits seemed to ignore the fact that the emperor was wearing no clothes. Back then the conventional wisdom was, "Red Hat is the most successful open source software company, so success must follow their model." I think points were ignored about the total potential size of the installed market determining how far you can go on services revenues. I simply pointed out the fact that traditional support-oriented open source vendors like MySQL over time were adding commercial features, AND ... there is nothing wrong with that.

Now there is more weighing in around Open-Core:

- "whether the Open Core model is sustainable in the long-term (I'm thinking 5-10 years)."
- "There isn't one single model for commercializing open source, and things will continue to evolve as the market expands. What worked in the past may not always apply in the future." No going out on a limb there.

This all leaves me scratching my head again. Doesn't everyone realize that the genie is out of the bottle? (sorry, all these clichés keep popping to mind.) Commercial open source is here to stay, everyone agrees. But the commercial proprietary model has been the most successful commercial model the past 30 years... Is it too outrageous of a claim to recognize the following convergence of the two, which appears to be happening before our eyes:

Open-Core is the new emerging standard in commercial software business models.

Forget open-core being popular just in open source circles, I mean commercial software in general. I predict that in 5-10 years (just about the time its diminishing importance is being predicted by some), Open-Core will be the standard for most new software companies arriving on the scene. Given the AGPL, this does not of course preclude SaaS models. The traditional proprietary MISO giants (Microsoft, IBM, SAP, and Oracle) will be considered legacy. Unless they act fast. Amazingly, Microsoft is making great strides toward open source (though they are using more of an Open-Crust, those features on top of the core, than Open-Core; still there is talk out there about open sourcing Windows. Reminds me of when I thought they were dead when Netscape arrived, and wham, they flipped on a dime! (How many clichés will I actually use in this blog?) That company re-invents itself more than Madonna. IBM is a big, obvious advocate and promoter of Open Source. Besides its investment arm, I am not aware of SAP making any big open source moves within its own software family, aside from MaxDB (what ever happened to that?). And Oracle has some open source projects here and there (SleepyCat, InnoDB), but can anyone imagine them open sourcing the Oracle

RDBMS? Not likely.

Yes, you will have niche products whose creators will believe their products and ingenuity is so unique that they simply can't divulge any secret sauces (think Ab Initio an exotic black box ETL / data integration tool – by the way how many people do you know using it? One, if you are lucky. I will reserve comment on that for a different blog). But I think those products will be in the minority and be considered quaint ("your product is COMPLETELY proprietary? Hey this is 2015, not 1995!").

Does this Open-Core business model drive the software industry to become a commodity industry? Perhaps... scary, ay? But commodity only in some respects, I would imagine. Innovation may be driven with core and crust features alike, and revenue can be driven primarily with the crust features in a very successful way. This is why I think open source despite some conventional (forgetful) wisdom, and even more so with the Open-Core model, is actually a wonderful model to drive adoption of innovative technologies. Open-Core is not only for commodity core technology. And this is why zAgile has selected Open-Core as the business model to drive wide adoption of its own very innovative core technology (released into public beta on SourceForge 1 month ago). Remember, there were some very innovative technologies driven by open source, things like: the original Unix, Apache, Mozilla browser, and the world wide web, to name a few. So why can't open source in general and the open-core business model in particular drive wide adoption of innovative technologies too? Over the next few years, far from fading and particularly aided by the dire economy, Open-Core will become the standard in commercial software.

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****Special thanks to Matt Dahlman and Sherman Wood for their edits and input to this post.

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Check out my other posts on Open-Core Licensing:

- Open Core Licensing defined (AUG08)
- New and Improved Open Core, with AGPL (FEB08)
- Variants on Open Core (APR09)

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