

Business models for open source software

There are several different types of business models for making profit using open source software (OSS).

Introduction

Open source software can be sold and used commercially. It is a part of the software industry. The financial return on open source software can also come from selling services, such as training and support, rather than the software itself. The use of dual-licensing provides an offer of the software under an open source license but also under separate proprietary license terms. Customers can be attracted to a no-cost and open source edition, then be part of an up-sell to a commercial enterprise edition.

Further, customers will learn of open source software in a company's portfolio and offerings but generate business in other proprietary products and solutions, including commercial technical support contracts and services. Another possibility is offering open source software in source code form only, while providing executable binaries to paying customers only. With permissive software, any company can distribute the package without the source or software freedoms.

Some companies provide the latest version available only to paying customers. Companies provide proprietary extensions, modules, plugins or add-ons to an open source package. Independent developers often accept donations. SourceForge, for example, lets users donate money to hosted projects which have chosen to accept donations. Users of a software may come together and pool money into a bounty for the implementation of a desired feature or functionality.

Other financial situations include partnerships with other companies. Sometimes a commercial version may be sold to finance the continued development of the free version.

Sell subscriptions for online accounts and server access. Combine desktop software with a service, software plus services.

Governments, companies or other non-governmental organizations may develop internally or hire a contractor for custom in-house modifications to software, then release that code under an open source license.

Hybrid

A vendor forks a non-copyleft software project then adds closed-source additions to it and sells the resulting software. After a fixed time period the patches are released back upstream under the same license as the rest of the codebase.^[1]

Examples

Much of the Internet runs on open source software tools and utilities such as Linux, Apache, MySQL, and PHP, known as the LAMP stack for web servers. Using open source appeals to software developers for three main reasons: low or no cost, access to source code they can tailor themselves, and a shared community that ensures a generally robust code base, with quick fixes for any new issues that surface.

Despite doing much business in proprietary software, some companies like Sun Microsystems and IBM participated in developing free and open source software to deter from monopolies and take a portion of market share for themselves. Netscape's actions are an example of this, and thus Mozilla Firefox has become more popular, stealing market share from Internet Explorer.^[2]

- Active Agenda is offered for free, but requires all extensions to be shared back with the world community. The project sells a "Non-Reciprocal Private License" to anyone interested in keeping module extensions private.
 - Adobe Systems offers Flex for free, while selling the Flash Builder IDE.
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- Apple Inc. offers Darwin for free, while selling Mac OS X.
- Canonical Ltd. offers Ubuntu for free, while they sell commercial technical support contracts.
- Francisco Burzi offers PHP-Nuke for free, but the latest version is offered commercially.
- Ingres is offered for free, but services & support are offered as part of a subscription. The Ingres Icebreaker Appliance is also offered as a commercial database appliance.
- Linspire, Inc. offers Freespire for free, while selling Linspire.
- Mandriva offers Mandriva Linux Free and Mandriva Linux One for free, while selling Mandriva Linux 2008.
- Mozilla Foundation have a partnership with Google and other companies which provides revenue for inclusion of search engines in Mozilla Firefox.
- MySQL is offered for free, but with the enterprise version includes support and additional features.
- Novell offers openSUSE for free through the openSUSE Project, while selling SUSE Linux Enterprise (SLE).
- Oracle - The closed source edition of VirtualBox (free to use for home-users) must be bought by companies to be used (but there is also an open-source version that can be used by anyone)
- Red Hat offers the Fedora for free through the Fedora Project, while selling Red Hat Enterprise Linux (RHEL).
- Sun Microsystems offer OpenOffice.org for free, while selling StarOffice.
- Untangle provides its Lite Package for free, whilst selling its Standard and Premium Packages by subscription.
- Zend Technologies offers Zend Server CE and Zend Framework for free, but sells Zend Server with support and additional features.

References

- [1] Phoronix - Towards A Real Business Model For Open-Source Software (http://www.phoronix.com/scan.php?page=article&item=sprewell_licensing)
- [2] Netscape Navigator#The fall of Netscape

External links

- Selling Free Software (<http://www.gnu.org/philosophy/selling.html>), Free Software Foundation
- The Emerging Economic Paradigm of Open Source (<http://firstmonday.org/htbin/cgiwrap/bin/ojs/index.php/fm/article/viewArticle/1470/1385>) - Bruce Perens
- Economic aspects and business models of Free Software (<http://ftacademy.org/materials/fsm/5>) - Free Technology Academy (2010)
- " FOSS Business Models in Developing countries (http://www.it-inwent.org/e2484/e3407/index_eng.html)" - compilation of material and sources

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