



Cost Conscious Calculating and understanding the cost benefits of open source

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CAOS : Commercial Adoption of Open Source practice

Analyzing the business of enterprise IT innovation
www.the451group.com



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- Focused on the business of enterprise IT innovation
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 - Service-providers (SIs, consulting, etc.)
 - End users
- Offices in New York (HQ), Boston, London, SF
 - 80+ total employees w/ 35+ analysts
- Tier1 Research covers hosting, colocation, content delivery, SaaS, Internet and enterprise services

451 CAOS research service

Commercial Adoption of Open Source

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- Qualitative analysis and reports, backed by quantitative research and surveys
- Case studies and community software coverage
- CAOS Theory Blog, Podcast, industry events
- Reports, ongoing coverage, and advisory service
- 2 dedicated CAOS analysts, additional open source coverage from other 451 analysts

CAOS 14 - Climate Change



User perspectives on the impact of economic conditions on open source adoption

Published:
December 2009

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CLIMATE CHANGE

User Perspectives on the Impact of Economic Conditions on Open Source Software Adoption

Customers continue to cite cost savings as a key driver for adopting open source software, particularly given the current economy - but what else is driving open source?

CAOS COMMERCIAL ADOPTION OF OPEN SOURCE

4 FINDINGS

- Economic conditions and the need to save money are driving increased interest in open source software, at least among those that have already adopted open source to some extent. **PAGE 1**
- Lower cost is still the top reason organizations choose open source software, but flexibility is now cited as the biggest post-adoption benefit. **PAGE 4**
- Open source software is delivering real cost savings to most organizations. Among users surveyed, open source is meeting savings expectations over 50% of the time and exceeding them over 25% of the time. **PAGE 6**
- Software licenses and maintenance are still the top sources of savings from open source. Beyond that are other licensing advantages, such as the ability to use software via clouds or other services. **PAGE 6**

5 IMPLICATIONS

- The current economy is driving widespread assessment of IT budgets, and cost considerations give open source an advantage. **PAGE 1**
- Open source has transformed from being a somewhat uncertain novelty for enterprises and SMBs to being widely and positively associated with cost savings. **PAGE 6**
- Flexibility is increasingly important to open source customers, and as open source and its business models mature, we may see flexibility catch cost as the primary adoption driver. **PAGE 5**
- Open source use is being watched closely by enterprise and other organizations interested in tracking its effectiveness and advantages. **PAGE 7**
- While cost, flexibility and reliability are rising in prominence among users, other benefits of open source, while still important, have faded in significance. **PAGE 12**

1 BOTTOM LINE

- Open source software is expected to bring financial benefits to users in the enterprise and other IT markets, and it's delivering on that expectation by meeting or exceeding anticipated cost savings nearly 90% of the time - while also providing increased business flexibility. These benefits will persist even after economic conditions improve, and they are likely to drive substantial growth in the adoption of open source software and related products and services.

DECEMBER 2009



THE 451 GROUP: COMMERCIAL ADOPTION OF OPEN SOURCE
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Infrastructure Computing for the Enterprise Summit
18 September 2008 • The Mirage Hotel, Las Vegas, Nevada
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Agenda

- Intro to open source in cost savings
- What customers told us
- Calculating cost savings
- Understanding cost savings
- Q&A

Report methodology

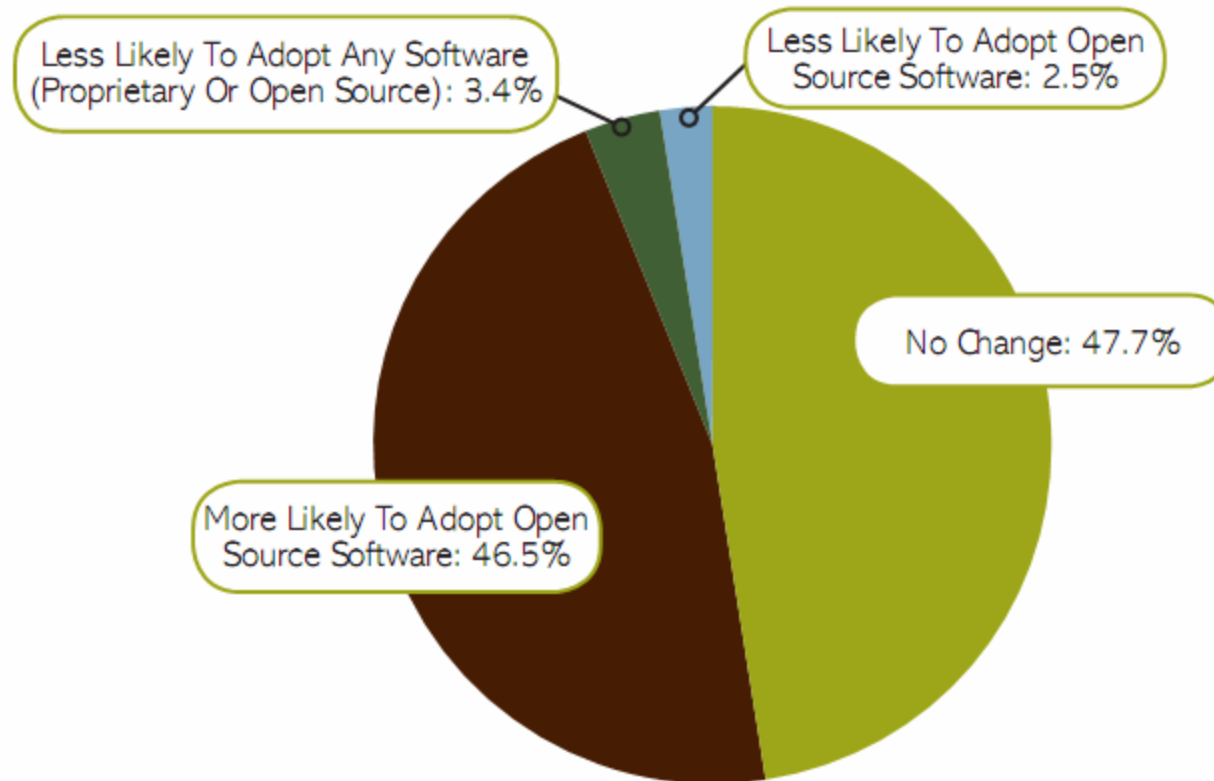
- 451 Group dedicated subject discussions with a range of vendors, customers, end users and others for this report
 - With help from more than two dozen vendors, we surveyed 1,711 open source customers and end users (vendor-assisted, but independent)
 - Discussions with vendors, investors, developers, administrators, end users and other industry figures
- Revisiting CAOS 2 - Cost Conscious
 - Our original, 2006 report on the cost savings and other benefits of open source software as perceived by users
 - A comparison between our most recent, 2009 survey of customers and end users and our 2006 survey

Open source means cost savings (mostly)

- Recent economic conditions and the need for cost savings have driven more interest in and use of open source, with less apprehension or concern over 'risks.' (more cost, IP issues, etc.)
- While cost savings is consistently the main driver for adoption of open source software among enterprise and smaller organizations, flexibility, reliability and performance are top benefits after adoption
- Open source meets or exceeds cost-savings expectations nearly 90% of the time, failing to deliver for only 5% of survey respondents; presents pressure with assumptions of what open source is (not known as free, but often times cheap)
- Can free and open source software cost more? You bet! Open source provides the potential for savings in licensing, hardware, development and time to market, but it still presents unique challenges and sometimes ... costs

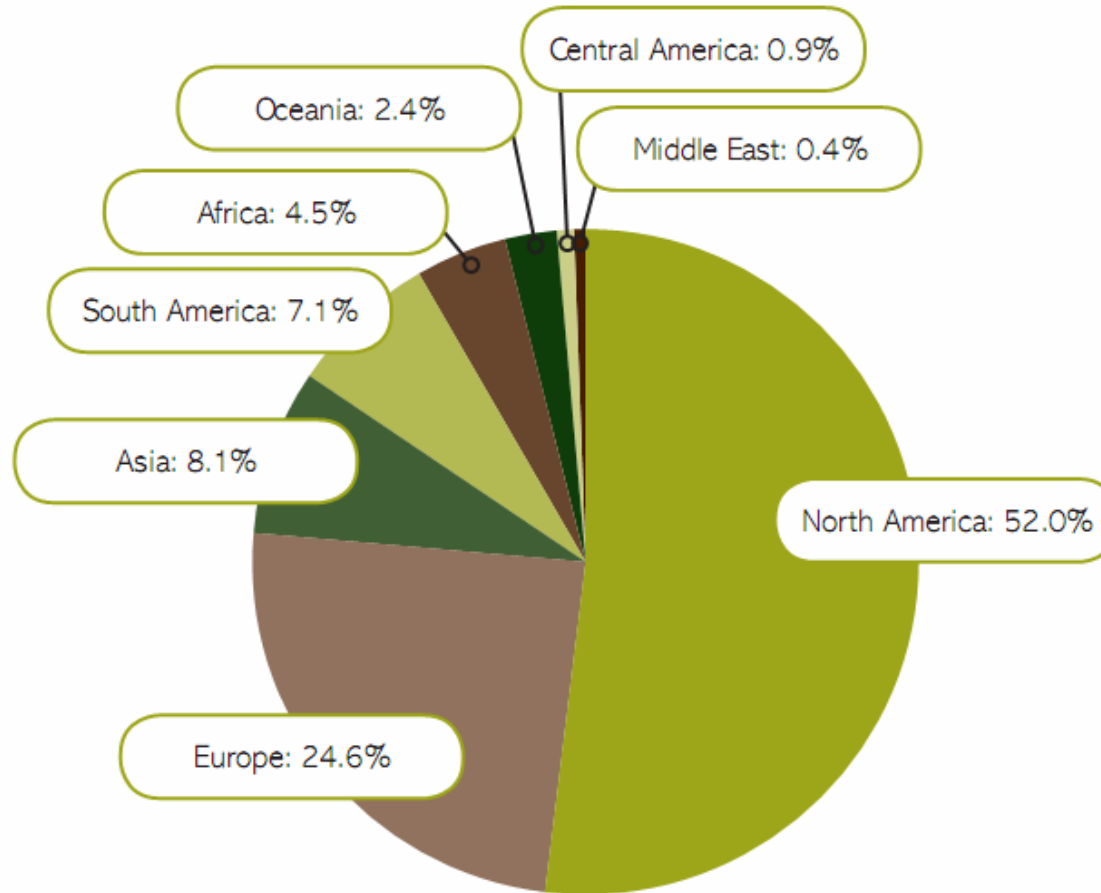
Economic impact

FIGURE 1: HAS THE CURRENT ECONOMIC CLIMATE IMPACTED YOUR COMPANY'S ATTITUDE TOWARDS OPEN SOURCE SOFTWARE?



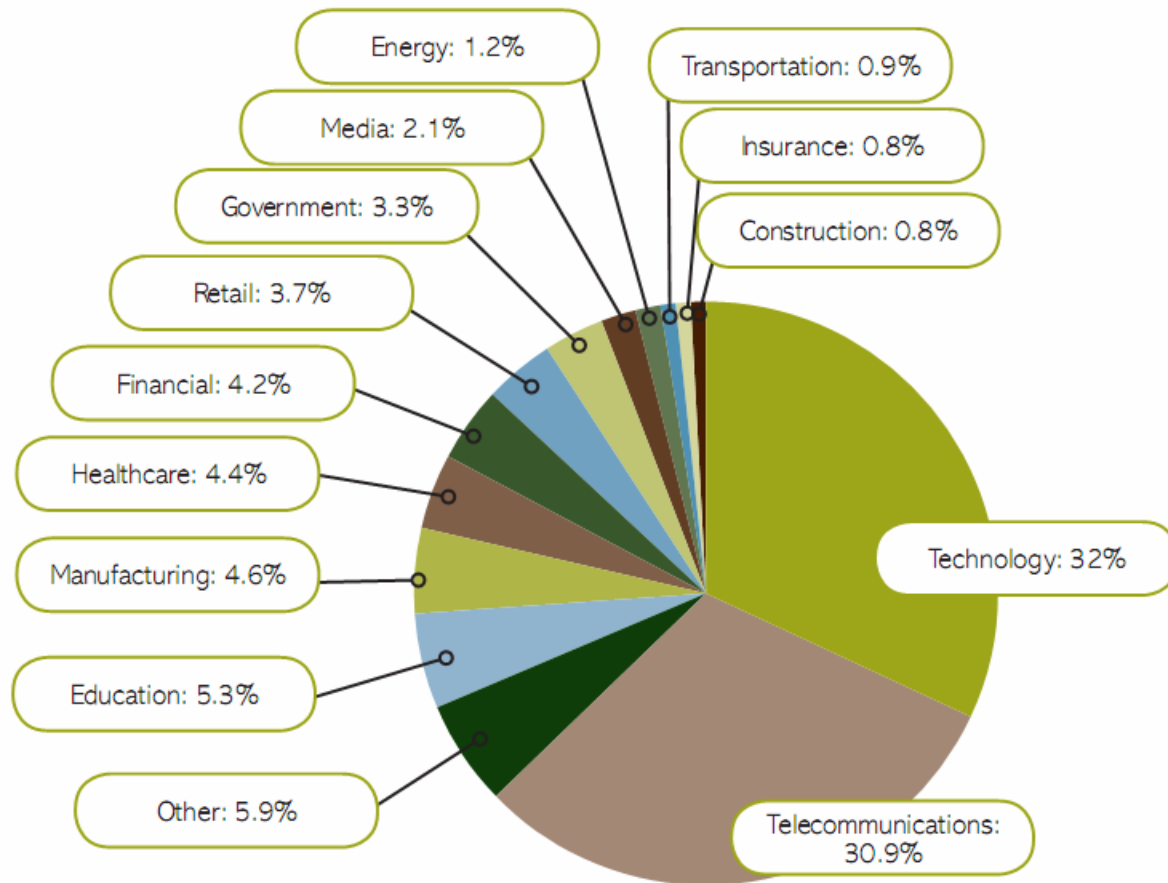
Global set of open source users

FIGURE 7: COMPANY HEADQUARTERS



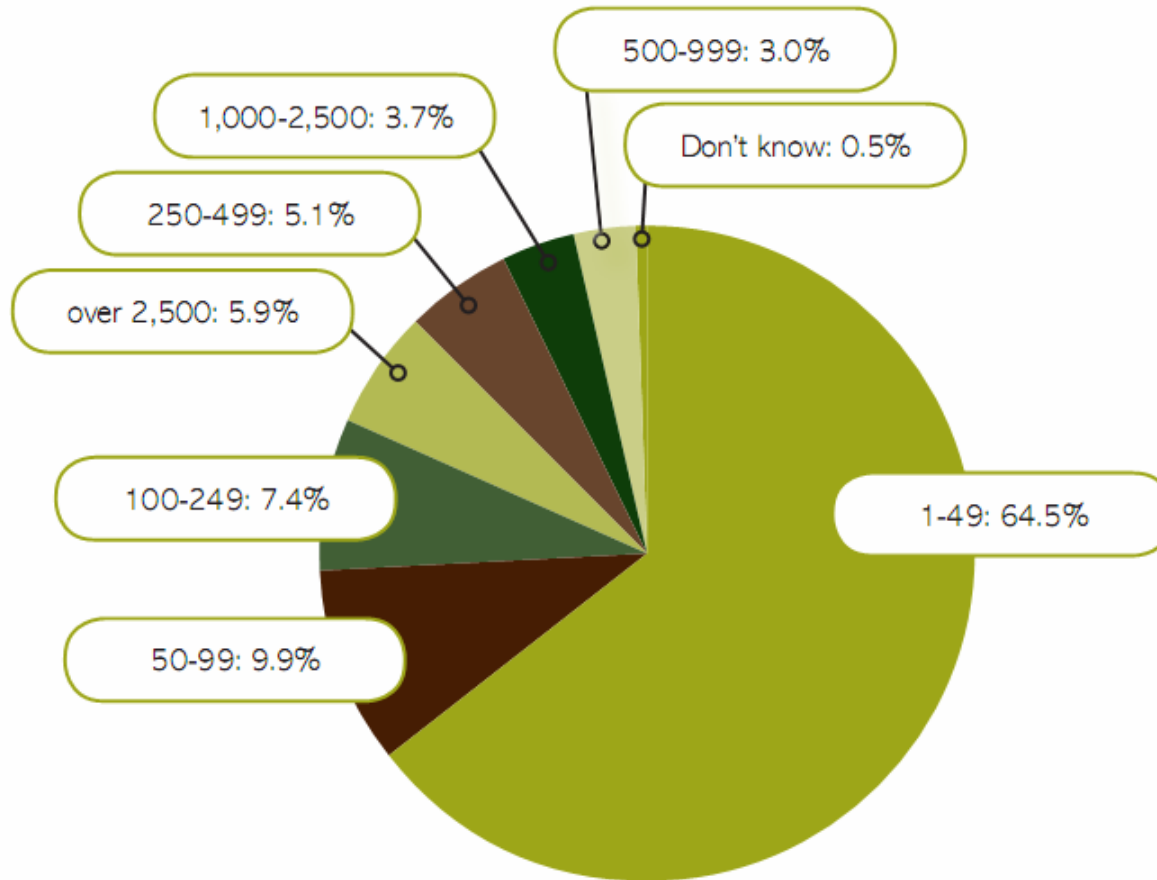
Mix of industries

FIGURE 8: VERTICAL MARKET



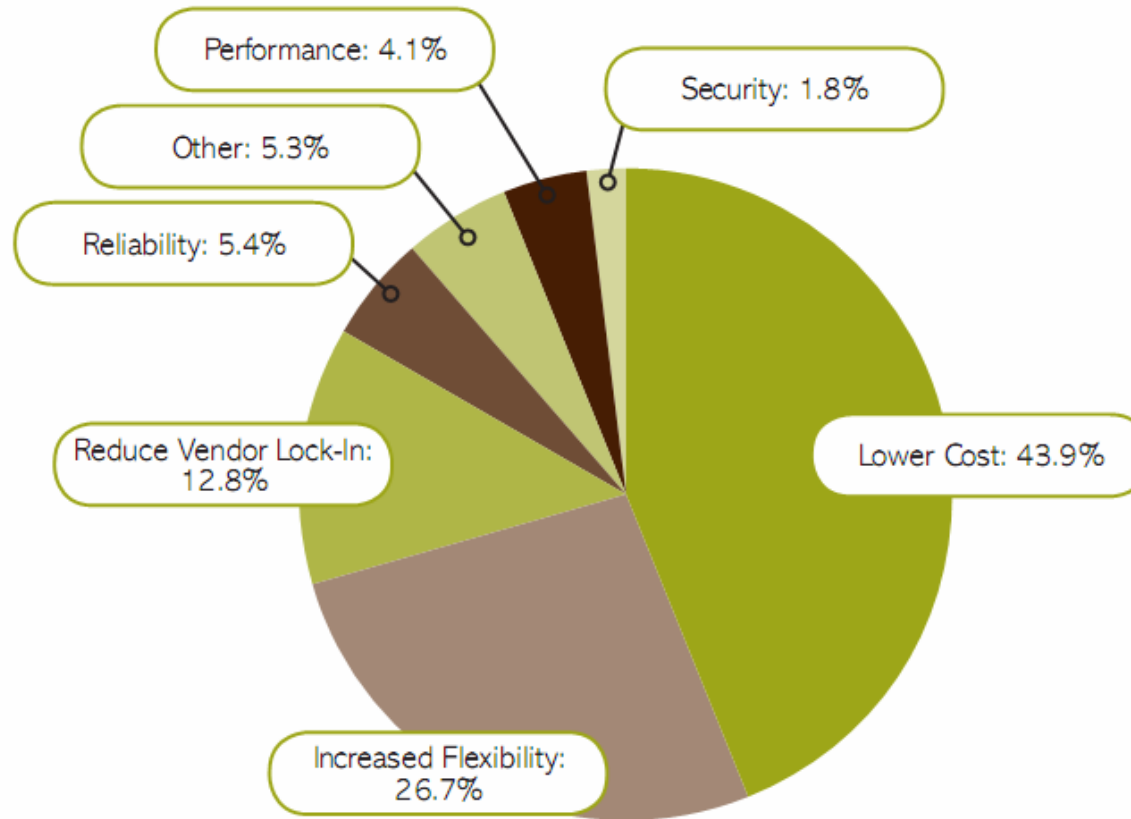
Customer/user size

FIGURE 9: NUMBER OF EMPLOYEES



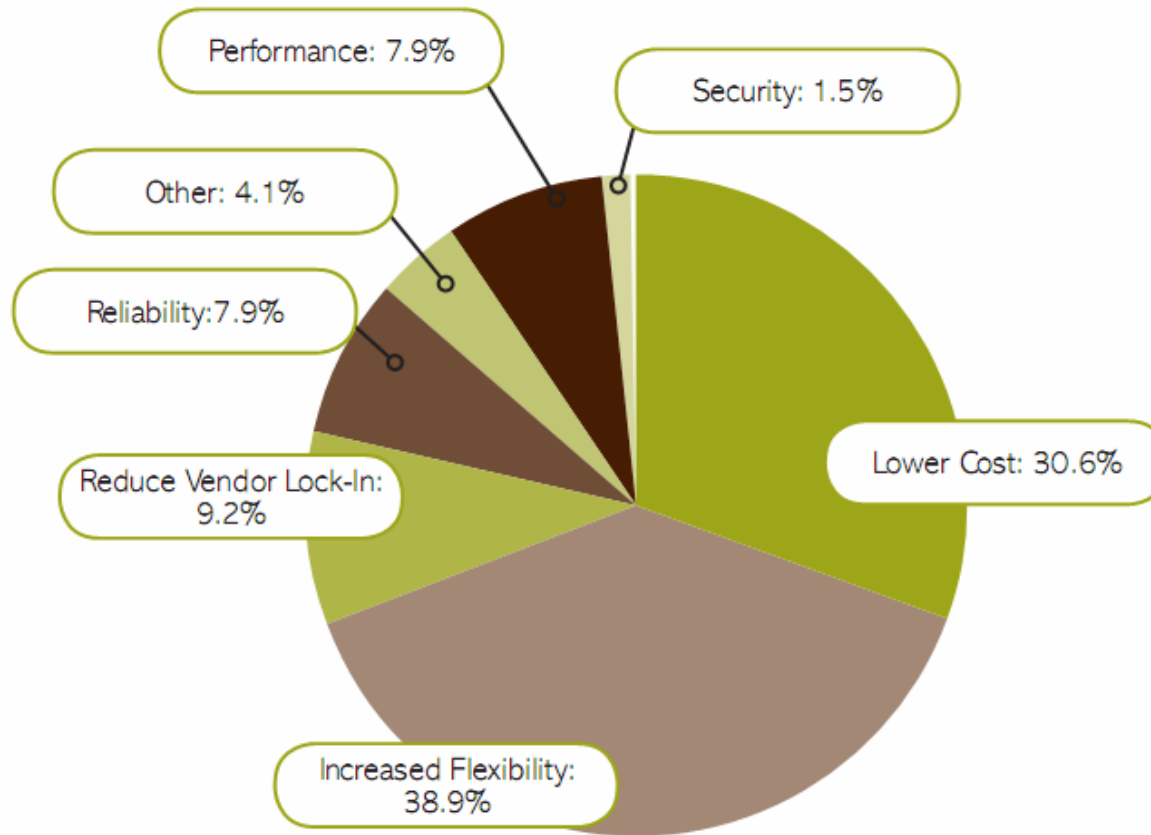
Primary reason for use

FIGURE 2A: WHAT WAS THE PRIMARY REASON THAT YOUR ORGANIZATION DECIDED TO USE OPEN SOURCE SOFTWARE?



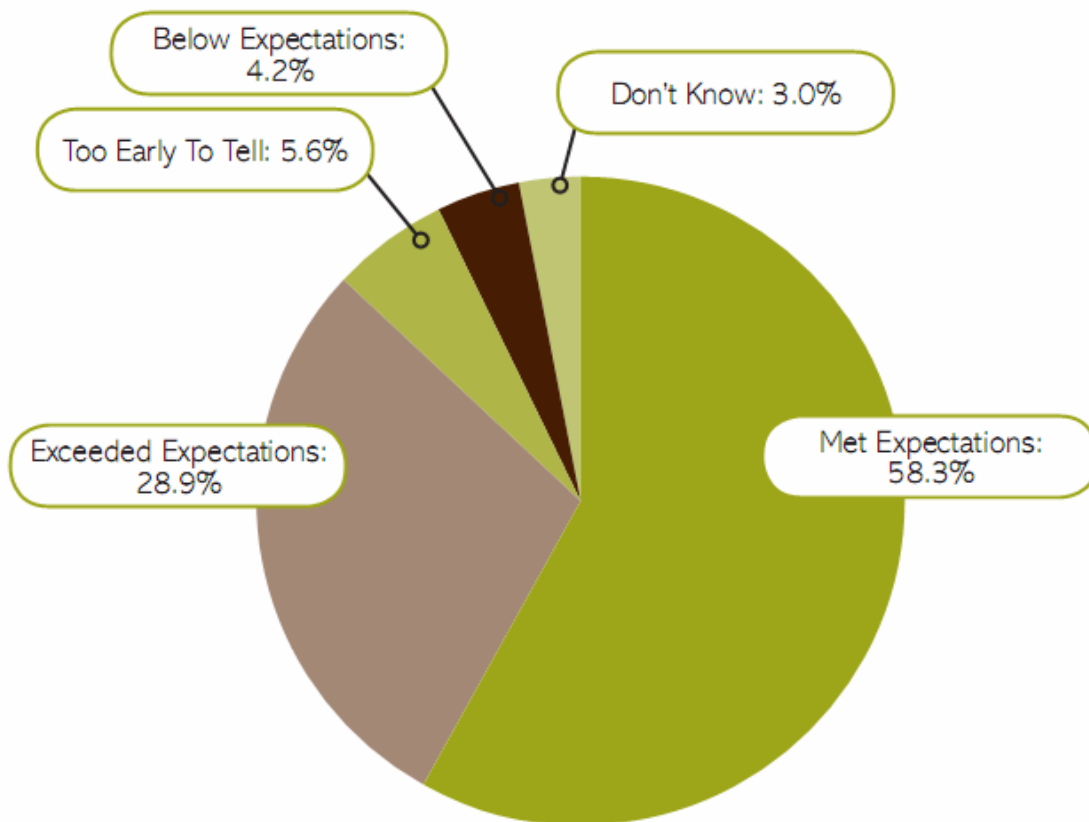
Primary benefit after adoption

FIGURE 2B: AFTER YOUR ORGANIZATION ADOPTED OPEN SOURCE SOFTWARE, WHAT WAS THE PRIMARY BENEFIT OF ITS USE?



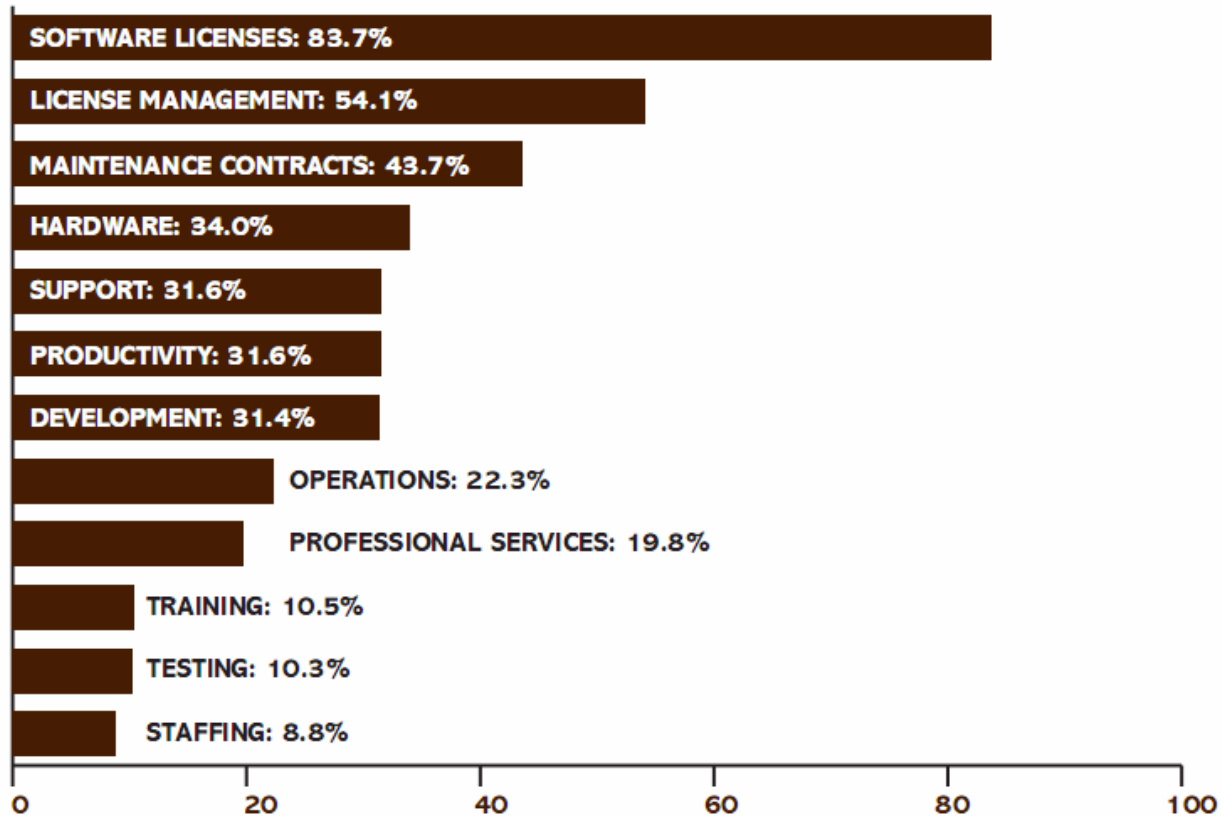
Delivering cost savings

FIGURE 3: TO WHAT EXTENT WERE COST SAVINGS ACHIEVED THROUGH THE USE OF OPEN SOURCE SOFTWARE?



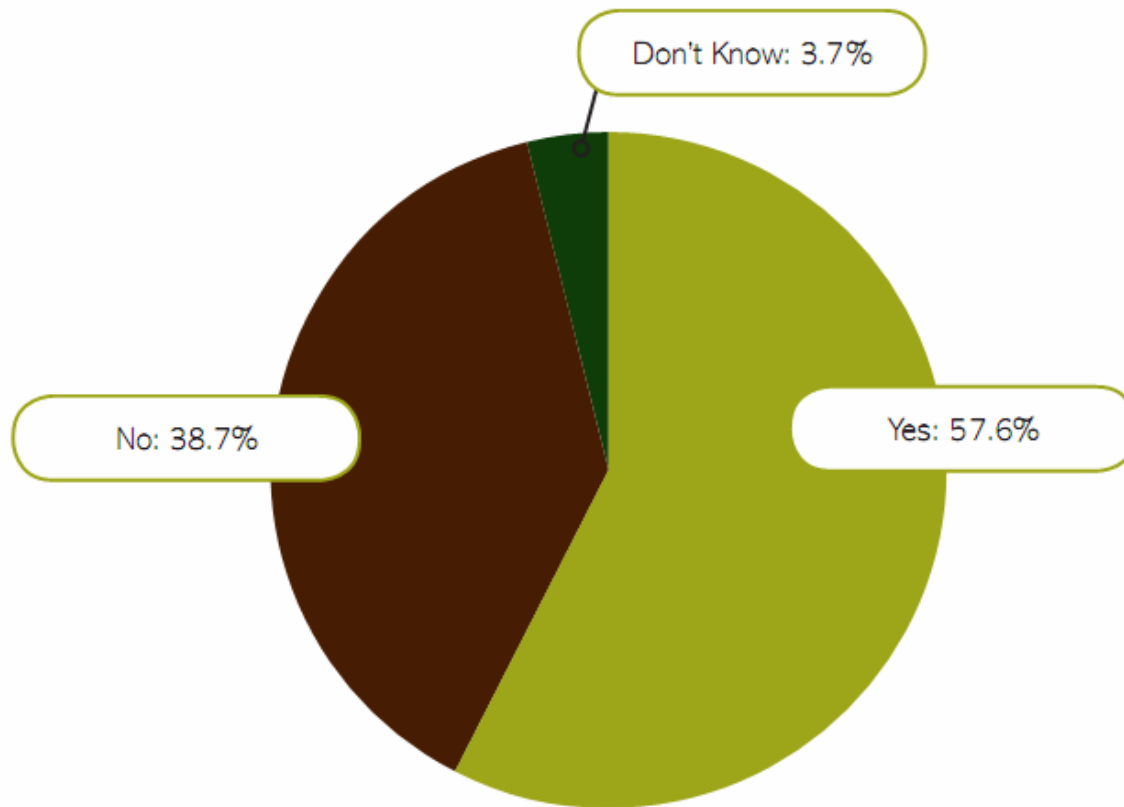
Source of savings

FIGURE 4: WHERE DO YOU BELIEVE THE COST SAVINGS WILL COME FROM/DID COME FROM?



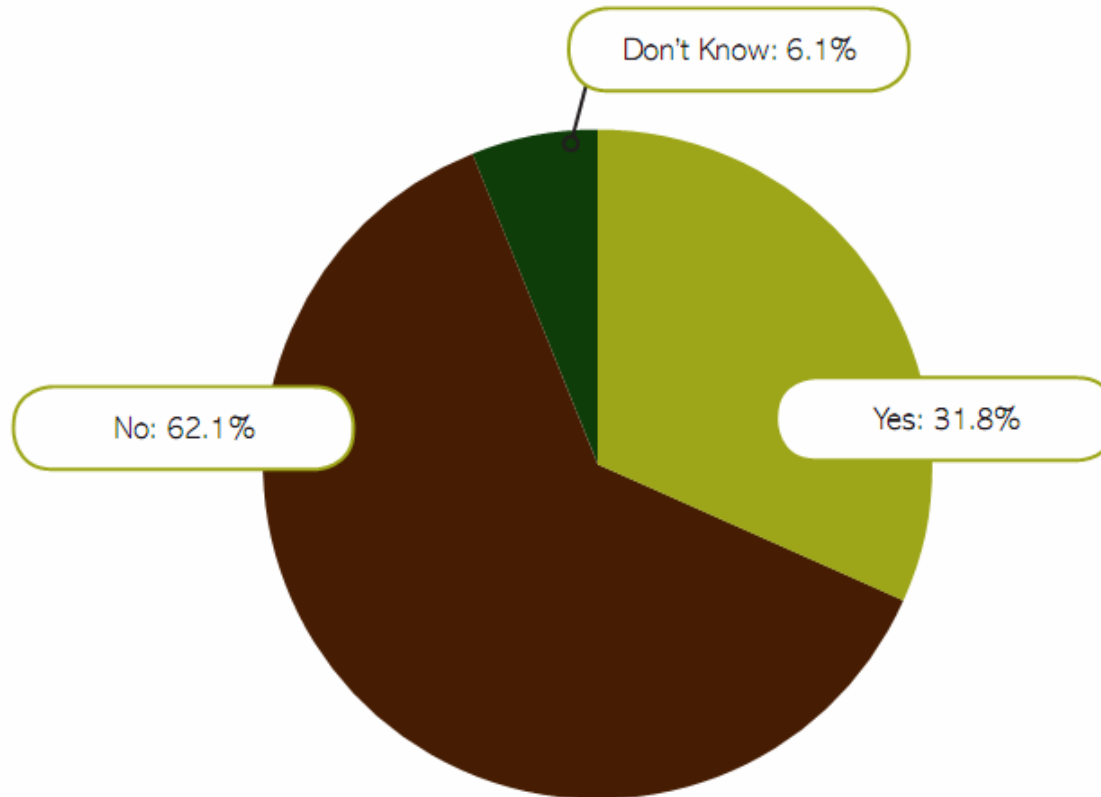
Tracking usage

FIGURE 5A: DOES YOUR COMPANY TRACK THE USAGE OF OPEN SOURCE SOFTWARE IN DEVELOPMENT PROJECTS?



Contributing back

FIGURE 5B: DOES YOUR COMPANY HAVE POLICIES AND/OR GUIDELINES FOR CONTRIBUTING TO OPEN SOURCE SOFTWARE?



Calculating cost savings

- Basic cost analysis - main considerations, reasoning and value, pitfalls (projects and organizations are unique, formal processes are often lacking, comparison and consistency keys)
- Open source cost analysis - what cost benefits and challenges are unique to open source?
- The 451 CAOS Cost Calculator - identifying and understanding cost savings from open source
- Tips - cost savings can be about time, flexibility for integration and efficiency from performance

Understanding cost savings

- Savings are not typically 'saved'
- While open source can undoubtedly speed development, time to market and time to value, its cost savings payoff can also require more time and patience
- There is real value in participating and contributing code, people and other resources to open source projects in use (open source empowerment)
- Open source often serves to drive down the price of proprietary software and vendor deals (mixed use helps mitigate vendor lock-in)

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Thank you!