



# Cover Feature Open Source



By Alan Hartstein

**T**hrowing down the gauntlet to Microsoft and the remaining close source technologies, solutions developers and leading proprietary software vendors both globally and locally continue to embrace open source technology. Leading to the further widespread adoption at all levels of industry, the open source software and services market has made important advances over the past few years. Despite this, adoption levels in the Australian market are still extremely low by international standards.

### Changing marketplace

A recent survey from analyst Gartner found that open source software and solutions had started to penetrate the IT environments of many Asia-Pacific organisations. The survey, which looked at 135 organisations split equally between China, Singapore and Australia, found that 57 percent of enterprise businesses were currently using open source software in one form or another, and that it represented approximately 26 percent of their overall software portfolios. However, a similar survey by Forrester

Research found that penetration into the Australian and New Zealand markets of open source software (OSS) still lagged behind regional counterparts and significantly behind Europe and North America.

In the Forrester survey, only 18 percent of firms were using Linux in production and a mere 11 percent were considering its use over the next 12 months. Linux and open source products currently account for about five percent of the Australian PC desktop market and 20-30 percent of the server market, where it has been far more successful in market penetration over the past few years.

Things are somewhat brighter on the government sector front, with the New South Wales and South Australian governments recently announcing large-scale open source contracts covering a range of departments. The Australian Government Information Management Office (AGIMO) recently completed the first whole-of-government online survey of approximately 163 government agencies in order to determine how agencies use the software and to gauge the adoption of open source technologies. Draft survey questions

included in the tender asked agency CIOs to detail exactly how open source software is used in their agency, whether they have an open source policy, their satisfaction with open source, and their intentions regarding server and desktop Linux. The survey results will be published later this year.

Yet despite greater interest in the government sector and a generally broader understanding of the technology across industry sectors that existed a few years ago, the question still remains just how much IT decision makers are willing to pay for OSS and its ongoing support and services, and how can developers and service providers take market share off the acknowledged leaders of the proprietary software market?

### Market challenges

Stuart Pike, manager and regional director Australia/New Zealand of business open source software provider Ingres said open source represents a different paradigm for both the software companies (ie providers of products/solutions) and consumers of the technology. As companies have moved towards standardisation of business processes and the simplification of

### SUN AND GLASSFISH

Sun Microsystems has announced a multi-faceted collaboration agreement with Ericsson to jointly develop an open source, Java technology-based communications application server as part of the GlassFish community

**"The only way you get innovation is through competition."**



IT to achieve the desired business outcomes, the open source market has grown exponentially. The nature of the open source business model means that an open source software provider, with no product licence to sell, has to focus on the outcome the product delivers, not the product itself. "The role of development in an open source company is to provide quality assurance and roadmap, rather than develop features and functions to generate licence sales in a particular fiscal period. This means that the features and functions in the product are driven by actual user demand [and with no licence issue to hold back, they can develop enhancements immediately rather than engage in months of discussion with the software companies' lawyers before even starting and development]," he said.

The challenge for those in the OSS market therefore is to deliver solutions that end-users can leverage in an enterprise supportable, risk-managed way, whilst at the same time ensuring support, warranty and risk management.

Brisbane-based industry research company Longhaus research director Sam Higgins said that trend-wise, there has been a significant uptake of Linux-based servers of up to 50 percent, year-on-year, as well as a sharp rise in open-source-based CRM applications, especially around content management. "One of the big changes the Australian open source market has undergone in recent years is that, given the IT skills shortage, there is now much more willingness to pay for solutions that encompass a range of both closed and open source programs.

This sentiment is echoed by web hosting services provider SmartyHost managing director Anoosh Manzoori, who believes the local open source market has turned a corner over the past two years. "OSS has penetrated the enterprise market and is now clearly accepted as reliable as licensed software. It

has become more secure, flexible and is still the most cost-effective software on the market." This, he argues, has allowed companies such as his to get OSS solutions such as its Open Office to market at a much faster rate, given the lack of licensing constraints on OSS developers.

Manzoori believes the future lies in open source applications and software tools working much more closely with proprietary products than they do at present.

SmartyHost, which has a strong presence in providing shared hosting solutions to the SME market, with 30,000 customers and more than 500 resellers in Australia, recently launched a new service, a unique virtual dedicated hosting platform called 'Vigabyte', which provides real-time scalability that makes the solution very attractive for both the supply chain and large corporate customers.

Melbourne-based Linux solutions provider CyberSource chief executive Con Zymaris said one of the biggest problems still plaguing the Australian market, however, is a general lack of willingness to move away from Windows-based operating systems, despite the fact that companies such as Novell, Sun, Oracle and IBM have openly embraced OSS and that Linux products such as openoffice.org are used widely on Windows operating systems. "What are we supposed to do when white box vendors give you a product which comes with Windows, regardless of whether you want it or not?" he asked. "The only way you get innovation is through competition. If I want a server with [certain] features and no operating system, then they comply. But if I go to the vendors and ask for a laptop without an operating system — fat chance."

Certainly global IT heavyweights in the software, browser, e-commerce and server solutions markets have gradually moved more to an open source model over

recent years. Sun Microsystems Australia/New Zealand software product manager Laurie Wong said the open source market has become much bigger and stronger, and is still going from strength to strength. "This is particularly evident with Sun going completely open source [Java, Solaris] and fully intends to stick with the open source business model moving forward. It has issued more than 6.8 million Solaris 10 licences, Sun's open source operating system, since January 2005. Open Office has also had great success with more than 82 million downloads and there has been growth in the use of application software such as CRM and Linux for desktop," Wong said.

Advancements in functionality and reliability have also closed the gap with licensed proprietary offerings which has led to a greater penetration into the corporate market. This in turn has led to an increase in value-add services from vendors around the technology, such as increased service and support and customised solutions, which is one area that the Australian channel can benefit from over the coming years, Wong believes.

George Vossos, chief technology officer of Sun channel partner and open source service management and support software provider LiveTime Software said there has been an ongoing trend of acceptance. "The broader uptake of open source technologies by IT departments means that IT vendors must work harder to remain relevant by open sourcing core components of their previously proprietary technology. IBM (Eclipse IDE) and Novell (SUSE Linux), Sun (OpenSolaris UNIX) and Apple (Mac OS X) have already successfully transitioned core products to market using the open source model.

As with its counterparts IBM, Novell and Oracle, all of



which have major product offerings in the open source sector, Sun is building an ecosystem of open source software for enterprises, which it said SMEs can also benefit from. Sun is currently focusing on the middleware part of the ecosystem — the web, application and infrastructure tier, which it claims has huge potential growth in the enterprise, SME and government sectors.

### Explosion in product range

Certainly the open source sector is not suffering from a dearth of new products and service offerings, but the question still remains as to how the reseller community can capitalise. According to Zymaris, there is a plethora of possibilities out there, but channel companies need to overcome a general lack of knowledge if they want to take advantage of OSS and its possibilities. "There are literally 100,000 Linux applications out there if you are willing to take the time and effort to find them," he said.

This, he said, meant everything from 100 or so implementations of an industry vertical, to professional services automation, to myriad web-based hosting services applications, such as the hosted groupware system. "Linux applications and services can easily provide the majority of needs for SMEs such as shared web email and calendaring," he said, adding that the costs of deploying a number of applications was minimal compared to Windows-based systems.

"A good example is even a modest-sized business may be spending up to \$2000 a month for hosted platforms. You can create your own equivalent using open groupware from a site such as zimbra.com for a fraction of the cost," he said. Zymaris also claimed that hosted CRM solutions could be achieved for a fraction of the cost using open source solutions.

One of the biggest problems, Zymaris contends, is that Linux open source offers nothing in a boxed package which comes from vendor xyz. "The average reseller doesn't therefore put any effort into understanding how it can benefit their business," Zymaris said. However, the beauty of open source, he said, is that products and services can be developed without having to ask anybody's permission or by kowtowing to any particular vendor. "Channel companies have been indoctrinated into suckling off the nipples of particular vendors. Those vendors can switch off their drip feed whenever they choose and there's nothing, as a channel partner, you can do about it."

By building solutions and services around open source solutions, channel companies can effectively become the vendors themselves. "Channel companies need to get out there and actively pursue these technologies. There is no shortage of good online news services and web-based user groups that can assist those that have a desire to offer open source products," Zymaris added.

Sam Saltis is director of Melbourne-based SmartyHost channel partner Bwired, which specialises in innovative online solutions for business. He said his company's fully integrated hosted application platform, provided by SmartyHost as a Software as a Service model and based on OSS technology, has been particularly successful in the vertical applications market, where it can service the core application requirements of customers and has tailored vertical modules for specific industry sectors such as its report management applications for the financial services industry, where security and data protection is a major requirement. Saltis believes there is a lot of opportunities for other channel companies to provide greater integration into

legacy systems by providing third-party vendors with APIs built on OSS technology.

### Lessening resistance to uptake

So given the extensive products and services on offer, and the fact that major closed source vendors have jumped aboard the Linux bandwagon, what is holding back widespread uptake?

Sun's Wong believes there is still a level of ignorance in the marketplace, especially among consumers. However, as he points out, some consumers are actually buying applications based on open source, and are unaware of it. "There is a reasonable level of awareness with enterprises. There needs to be a community, grass roots approach to creating awareness on open source, not a proprietary marketing approach," he said. There will be a gradual change in the marketplace but this will take time, particularly as some companies run applications for nine to 10 years. There is definitely room for open source and proprietary software to co-exist. The aim is not to get more market share off Microsoft, but to build the biggest software community in the world. In fact, the Java community is the fastest growing community in the world."

Ben Bradshaw, general manager of online search business provider BJB Global, another SmartyHost channel partner, said that in his company's main market areas, web marketing, web development, and online media the markets feed off each other and he is expecting strong growth in 2007. "We haven't noticed any major resistance from any of our target markets. OSS technology has become a lot better over the years, cutting down on the time we spend on creating applications and features internally. "There are now OSS technology solutions out there for



almost any need, which has helped decrease resistance among our target markets," he said.

Clearly, open source solutions are not the single answer to all of the IT issues that may arise within an organisation. However, as Ingres' Pike suggests, they do offer some significant alternatives, provided they can be designed to fit the purpose and have the right levels of support capability. It is also worth noting, he added, that there is a large sales force from the global proprietary software sector which is paid to keep telling customers that open source is not viable. "It is the sheer weight of information being presented to decision makers, who are already time constrained. Therefore, the open source industry has to spend more time finding ways to market to these decision makers as a credible trusted adviser — and highlight proof points of other companies in these industries that are using open source," Pike said.

CyberSource product and services manager Ron Fabre said his company promotes its products not by comparing the licences line by line, but by showing the end customer the overall benefits of price, security and functionality. "We already are winning market share off Microsoft today, but it's not by customers demanding Linux and open source, it's by beating Microsoft on price and product. Resellers are

hampered more by being too scared to move beyond their comfort zone. We try and show our resellers how they can realise more profit by selling open source solutions than by selling the Microsoft alternatives," Fabre said.

### Selling the benefits

One of the big challenges in the OSS market is still to convince IT directors that open source alternatives are not free and that they will get value by paying for

the separate support, training and deployment fees they attract. One thing Ingres' Pike believes open source developers and service providers have going for them is that they can operate at a much lower cost base than traditional closed source companies and that revenues therefore do not need to be as high to produce profits. Savings, in turn, can then be passed through to the customer. Pike says Ingres Australia has witnessed revenue growth in the double digits over the past six quarters. "In our first year in Australia we saw existing users of the technology increase their commitment to Ingres by 70 percent and already this year we have seen new users of our technology. With no licence fee, an end-user can download the software, start using it and make any changes they want without having to engage with months of

legal discussion. This means the time to profit is faster. Secondly, if you want to add a feature or function that makes sense for your business, you can. Thirdly, if you can achieve the same outcome as a closed source product but don't have to deal with

their business practices, their sales people or their time frames to commit, with a lower cost and faster time to delivery, why wouldn't you?"

Vossos believes open source has a bright future as a building block in commercial software. For example LiveTime Software utilises many open source components including Apache Lucene, JBoss Hibernate, JFreeReports and JFreeCharts, to name a few. BWired's Saltis said the biggest selling point is the true interoperability the platform provides, given that systems are designed with cross-platform compatibility from day one which creates extremely dynamic environments. "The OSS community drives truly innovative solutions from the ground up, which can be customised easily by any user to suit individual needs. Since the barriers of entry are so low, there is a much larger variety of uses of the technology and companies can afford to implement solutions they couldn't afford by using proprietary software. The cost savings we make by using OSS technology are passed on to our customers." □

## ONGOING REVENUE STREAMS



While specific figures for the Australian market were not available, Gartner's recent report into the state of the open source market in the Asia-Pacific said there were attractive growth opportunities for both software vendors and external service providers to provide support, consulting and integration services. Gartner estimates that services for open source software still represented less than one percent of the addressable IT services market in 2006, but this is expected to grow at double-digit rates in the next five years. No dollar figure was available for the potential growth.

If the Gartner figures are any real indication of the state of the local market, there will undoubtedly be a greater acceptance in

corporate environments, directly driven by the results and flexibility of OSS technology. Leading vendors will continue to incorporate OSS technology into their products, due to increased interoperability of the technology. The resistance in the user community will be reduced once results are demonstrated and compared to licensed software.

The open source movement is still undergoing somewhat of an evolution, rather than a revolution by promoting the idea that customers should be free to study, improve and integrate quality, reusable software components for use in business. This will undoubtedly lead to greater opportunities for those working within the open source community to support, maintain, train and consult within this business model.



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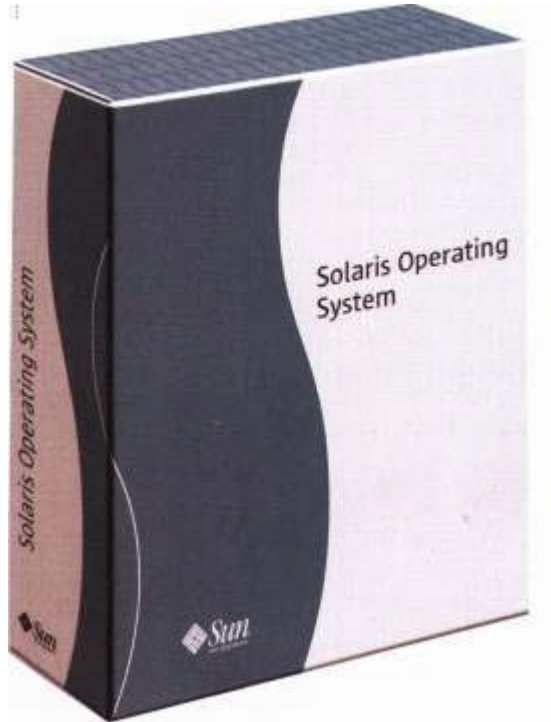


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### **STRATEGIC ALLIANCE**

In March, IT service provider Wipro Limited and Ingres Corporation announced a strategic alliance to develop open source business solutions on the Ingres platform and undertake joint go-to-market activities worldwide