



MEDIA CONTACT: Kim Kent
The 451 Group
Boston
617-261-0566
kim.kent@the451group.com

The 451 Group: The Number of Proprietary Software Vendors 'Going Open' Is Increasing Significantly

Open Source Trend Will Influence the Future Direction of Proprietary Software Vendors' Selling Practices and End Users' Buying Preferences

New York, February 14, 2007 – The 451 Group has found that the overall trend of proprietary software vendors 'going open' – i.e., adopting open source software approaches – is increasing significantly, either as a major business-model shift away from software license fees as the basis for customer usage or in the more limited release of some code using an open source license. The majority of software vendors that have made a move to open source have only done so in the past year or two. The results of these early cases will influence the future direction of proprietary software vendors' selling practices and end users' buying preferences. This finding is discussed in a new report by The 451 Group, a New York-based technology-industry analyst company focused on the business of enterprise IT innovation. This is the third report from the 451 Commercial Adoption of Open Source (CAOS) Research Service, a first-of-its-kind service investigating both user experiences and vendor strategies as enterprise customers begin to deploy open source software.

"Open source is changing the relationships between software vendors and their customers. This is not only the case for the level of participation from a software vendor's customer base in the software development process, but also in the level of risk incurred by an end-user organization in doing business with a software vendor, especially a startup," said Raven Zachary, Senior Analyst and Practice Head for Open Source at The 451 Group. "Open source has become the new form of code escrow, allowing smaller software vendors and startups to compete more effectively for large enterprise customers by providing the code and a community for ensured long-term viability."

451 analysts found that the justification for a vendor going open varies, but in most cases it relates to competitive pressure in one form or another – the desire to retain or grow market share, the perceived value of first-mover advantage, entering an existing and mature market or, in the case of a distressed business model, where open source provides a final alternative to generate demand.

"Although services are often considered the most likely path for software vendors looking to generate revenue from open source, almost half of the 31 vendors we interacted with for this report indicated that the greatest revenue opportunity was in commercial licensing," said Zachary.

This 80-page report, 'Going open – software vendors in transition,' was written by Raven Zachary together with Martin Schneider, Senior Analyst, Enterprise Software, and Lee Bruno, Editorial Director, Special Reports. This 451 CAOS Report focuses on the emerging trend of proprietary software vendors transitioning to an open source business model – including the elimination of software licensing fees as a requirement, public source code availability and a greater reliance on services as the revenue engine. It covers the impact on proprietary software vendors and end users alike, and includes a primer on 'going open' and best practices from a number of software vendors that have already made the transition.

Key Companies Covered

The report includes in-depth competitive assessments of the following companies (although this is not a complete list of companies covered in various sections of the report): Covalent Technologies, Hyperic, Ingres, Intalio, JasperSoft, Laszlo Systems, OpenClovis and Qlusters. It also includes information on over 25 vendors that have 'gone open.'

Report Orders

To learn more about this report, or to discuss developing a client relationship with The 451 Group, contact Simon Carruthers, Vice President of Research Services, via phone at 212-505-3030 x-103, or via e-mail at: simon.carruthers@the451group.com.

About the 451 Commercial Adoption of Open Source Research Service (CAOS)

The 451 Commercial Adoption of Open Source (CAOS) Research Service helps enterprise end users, software vendors and investors track and understand the opportunities and threats presented by open source. Its emphasis is on the advantages that open source methodologies offer, as well as the impact of consequent organizational, legal and cultural disruption. As part of the service, The 451 Group publishes six reports annually – each one examining a different issue and offering insight into user and vendor experiences. Additional features of the service include a biweekly update of analysis and marketplace activity. The 451 Group also publishes a free blog for the enterprise open source community – 451 CAOS Theory – which can be found at: <http://blogs.the451group.com/opensource/>

About The 451 Group

The 451 Group is an independent technology-industry analyst company focused on the business of enterprise IT innovation. The company's analysts provide critical and timely insight into the market and competitive dynamics of innovation in emerging technology segments. Clients of the company – at vendor, investor, service-provider and end-user organizations – rely on 451 insight to support both strategic and tactical decision-making for competitive advantage.

The 451 Group is headquartered in New York, with offices in key locations, including San Francisco, London and Boston. The company also operates Tier 1 Research – an independent division of The 451 Group, headquartered in Minneapolis – which analyzes the financial and industry implications of developments impacting public and private companies within the IT, communications and Internet sectors.

For additional information on The 451 Group or to apply for trial access to its services, go to: www.the451group.com

###