



Press Release

24 July 2006

Forfás report highlights the increasing opportunities Of Open Source Software for Irish software development

Forfás today (Monday 24 July 2006) launched a report, *Open Source Trends and Business Models*, that provides guidelines for companies adopting open source models for software development. The report provides an overview of the open source commercialisation models most suited to the Irish context and aspects of different licensing models that firms need to be aware of. The report summarises the key questions that Irish Independent Software Vendors (ISVs) and Higher Education Institutions (HEIs) need to ask, and outlines the considerations and actions that need to be taken in advance of making a decision to engage in open source development.

Open Source Software (OSS) refers to software where the source code is available to the general public so that users can read it, make changes to it and build new versions of the software incorporating their changes. It is typically created in collaboration by a development community rather than by a single software development company. It differs from traditional models of software development in that the intellectual property developed is released under open software licence allowing the software to be redistributed freely. This also means that for a company, sources of revenue and business models will be different from those dominating the proprietary model. Examples of well known OSS include Linux and Firefox.

Martin Cronin, Chief Executive of Forfás said, "The open source environment is growing rapidly worldwide. Revenues for 2005 are expected show a 48 percent increase over those of 2004. As Ireland is a significant location for software internationally, Irish Independent Software Vendors (ISVs) and Higher Education Institutions (HEIs) cannot afford to ignore the increased importance of OSS. Major companies such as IBM and HP, which previously relied on traditional models of software development, are increasingly adopting OSS. We expect that embracing OSS will become fundamental to building and maintaining market share in the future."

"Because of the small size of the Irish market, Irish start-ups have to sell and market their products in the international market at a very early stage", he went on to say. "The open source model can provide start-ups with a simple, fast and efficient way to build a client base and thus gain market share."

Key findings:

Commercialisation Models:

The report focuses on three commercialisation models which are most likely to be effective for Irish ISVs and HEIs. Real-life examples are presented throughout the report with the use of case studies of firms that have successfully used these approaches to OSS. These provide insights to companies considering open source, enabling them to tailor revenue models best suited to their own circumstance so that they develop new markets or expand existing markets.

- Support Based Commercialisation

This model is typically used by companies in the provision of integration services and customisation of open source code and telephone, web, email and on-site support etc. Support based models generally provide for a revenue stream that is fixed for a period of between one and three years. This is a good model for applications where features are customised to client needs.

- Software as a Service

A hosted service is offered through which the client accesses software remotely rather than through the installation of software on a local machine. This model is based on a pay-per-use concept.

- Proprietary Development on Open Source

The approach involves the development of a solution or product that combines proprietary and open source elements. This is a hybrid approach whereby pricing is based on royalty payments for the proprietary elements, and market penetration builds on the advantage of the market adoption of the open source element.

Licenses:

Up to fifty licences are used in open source. The report outlines key considerations which need to be taken into account by Irish ISVs and HEIs in relation to licensing. It is a complex area, but the ISV needs to understand restrictions for distribution of source code, implications arising for works derived from a third party source and the licensing of documentation, images, sounds, fonts and other works that are not computer program source code.