

Logiciel Libre — TD 6*

Economics

2016–2017

1 Myths about FOSS business models

Exercise 1.1. Read the article “Ten myths about FOSS business models”, by Carlo Daffara <http://www.groklaw.net/articlebasic.php?story=20070828132340846>.

Exercise 1.2. Below you can find 10 statements based on the above article. Each statement can be right, wrong, or debatable. Give, for each statement, a commentary in support or against. Whenever possible document your comments with factual arguments (links, data, concrete examples, etc).

1. FOSS does not prevent establishing prices for selling software copies.
2. FOSS licenses aim to suppress any ownership claims; they are hostile to intellectual property rights.
3. FOSS development is mainly driven by *ad-hoc* altruism and volunteer effort.
4. If I release my software as FOSS, thousands of developers will suddenly start working for me, for free.
5. Many big companies and firms (even outside software development business) use FOSS.
6. FOSS is inherently unreliable, and not very well supported.
7. Private companies contribute to FOSS, since they can make profit in exchange for their contributions.
8. Widespread FOSS projects are invariably funded by large private companies.
9. FOSS software has become a market leader in certain sectors.
10. If a company leading a FOSS project is acquired, the new owner can lock the source code and force all its customers to pay for it.

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2 Identify FOSS business models

Exercise 2.1. Read the article “*Business Models for Free and Open Source Software*”.¹

Exercise 2.2. Below you can find the name of several companies entertaining FOSS business models. For each of them you should identify their main business model, according to the classification given in the article above. Note that some companies might present more than one key business model. Document your answers as much as possible. The companies are:

- 2ndQuadrant <https://www.2ndquadrant.com/>
- BlackDuck <https://www.blackducksoftware.com/>
- Zimbra <http://www.zimbra.com/>
- IBM’s Open source projects <http://www.ibm.com/developerworks/views/opensource/projects.jsp>
- Funambol <http://www.funambol.com/>
- CiviCRM <https://civicrm.org/>
- Canonical <http://www.canonical.com/>
- Wordpress <https://wordpress.com/>

3 The “Open Core” debate

“Open core” is one of the frequent, yet most controversial business model strategies around FOSS. “Open core” companies defend their right to maintain proprietary licenses on strategic features and modules. FOSS advocates argue that this approach takes benefit from FOSS without giving substantial feedback to communities and projects.

Some references:

- Lampitt. “Open core licensing...” http://alampitt.typepad.com/lampitt_or_leave_it/2008/08/open-core-licen.html
- Carlo Daffara. “Relationships between open core, dual licensing and contributions” <http://web.archive.org/web/20100731135502/http://carlodaffara.conecta.it/?p=460>
- Simon Phipps. “Open core is bad for you” <http://www.computerworlduk.com/blogs/simon-says/open-core-is-bad-for-you-3569652/>
- OSI blog. “A simple declaration about open core” <http://opensource.org/blog/OpenCore>

Exercise 3.1.

- a) Find at least 3 examples of companies following open core strategies.
- b) Could any of these companies switch to a different business model and ensure sustainability? How?
- c) Do these companies make any claims on this issue? Summarize their arguments.
- d) After learning the arguments from both sides of the story, what is your own opinion on this issue?

¹Okoli, Chitu and Nguyen, Johannes, Business Models for Free and Open Source Software (March 13, 2015). Available at SSRN: <http://ssrn.com/abstract=2568185>