SPONSOR
Learn more about the value of SOA in this free InfoWorld Study
Sponsored by BEA

SPONSOR
Learn how Business Intelligence Systems have moved beyond data mining
Sponsored by BMC Software

IDG ENTERPRISE NETWORK
- More Operating Systems News... (ComputerWorld)
- Five vendors join against Microsoft in EU case (ComputerWorld)
- Microsoft gets more 'facts' for anti-Linux campaign (ComputerWorld)

GOVERNMENT IT & POLICY
- FCC Head Downplays Regulation

Open source apps are seen as new business opportunity

VA Linux founder Larry Augustin discusses advantages

By Paul Krill
April 05, 2005

SAN FRANCISCO - The next wave in open source development is applications, which presents opportunities for open source vendors to focus on the small- and medium-sized businesses that established commercial vendors cannot reach, said Larry Augustin, CEO of Medsphere Systems and a founder of VA Linux Systems, on Tuesday.

ADVERTISEMENT

Speaking at the Open Source Business Conference, Augustin cited the growing success of offerings such as the open source **SugarCRM** (Profile, Products, Articles) package as well as Medsphere's own OpenVista electronic health record system, based on the public domain VistA system.

"I believe the traditional enterprise software model is fundamentally broken," Augustin said.

Traditional vendors of applications such

- Microsoft Seeks to ID Phishing Scam Authors
- Supreme Court Weighs File Sharing

washingtonpost.com

CRM and ERP systems are burdened with long sales cycles and high sales and marketing expenses, Augustin said. Users of these systems must pay large, upfront fees, he added. The cost of these systems also makes it tough for the vendors to penetrate small- and medium-size businesses -- something that does not burden open source vendors, he said.

Sales and marketing costs assessed to customers by commercial vendors means they are “charging the customer to convince them that they need [the] software,” Augustin said. “That’s not a good economic model.”

Lower costs for open source software means a broader market. “Some people have tried to come out and say that open source is a destroyer of markets. I disagree with that,” Augustin said.

Even with the sacrifice of license fees, open source vendors can make money on services, said Augustin. These vendors also benefit from a large, enthusiastic free user base to build on and are not burdened with high sales and marketing expenses.

An audience member agreed that there is an opportunity for open source applications.

“[Customers using open source applications] understand that they have the ability to modify the source code to meet their needs,” thus providing flexibility not afforded in commercial application packages, said Amit Satoor, a marketing manager at **Sybase** (Profile, Products, Articles).

Paul Krill is an InfoWorld editor at large.

RELATED ARTICLES

» Microsoft exec broaches open source paradigm
» Class divisions coming to open source licenses
» HP turns to Linux for enterprise NAS
» Platforms RSS feed

- **Acterna DA-3400 Ethernet Data**

CATEGORIES

» Open source
» Platforms

EMAIL NEWSLETTERS

The InfoWorld Scoop
Test Center Report

PRODUCT AND COMPANY FINDER

SEARCH
Product Company
BROWSE IT Product Guide
All Categories
Products by Name