

Brief History of iptel's Money Making with Open Source

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Background: On My Mixed Attitude to Open Source

- I love it as **Taker**: open-source really fuels innovation. I believe that innovation is an **evolutionary** process and accounts for say 5% of effort in a good system. If the remaining 95% were consuming innovator's effort and money, he would never finish those 5%. Open source gives us these 95%!!!
- A bit less enthusiastic as **Giver**. Even a giver must live of something and getting money of open-source is much harder than of closed-source. (see later)
- **As User: case-by-case**, sometimes there are brilliant and genuine pieces (like SER ☺), frequently there are pieces which are brilliant but less genuine, and like with closed source, there are such that are neither brilliant nor genuine.
- **Leaving religious views aside....**
 - {open|closed} source is {more|less} {high TCoO|secure|proven|just|

Why We Became Givers Then?

- From early Fraunhofer-fokus days, founders clearly contemplated a hi-tec company as acquisition target
- The prevailing concern was that industry is very conservative as for output of research institutes, goes “shopping” only if necessary, and leaves the R&D output unnoticed.
- We tried to create necessity by making SER well known by open-source disclosure under the hard-to-digest-for-vendors GPL.

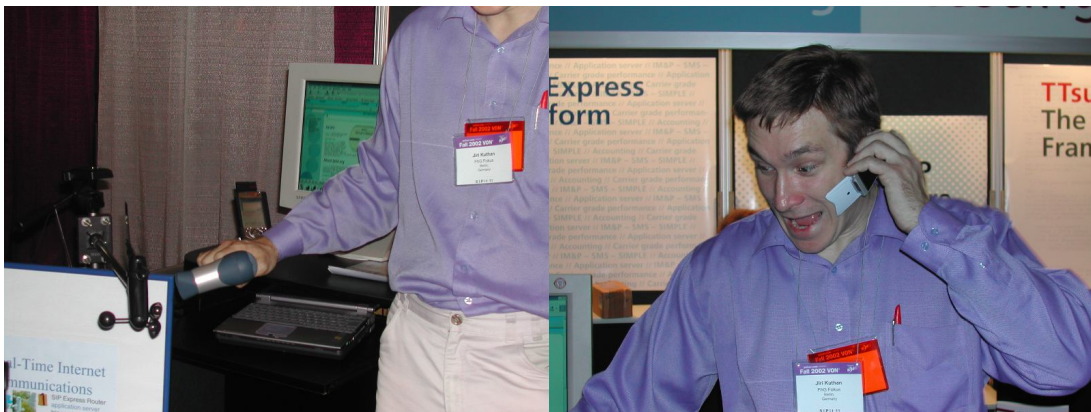
How Did it Go Then? Publicity First ...

- **Publicity:** Released 2002, tested in SIPits (in fact there was not much to be found), popularized on low budget over mailing lists, know-how iptel.org website and Pulver’s VoN tradeshow, and eventually over-shadowed Vovida
- *By then I sort of thought that for best marketing effect we must be funny*

History: Promotion @ Cebit 2002



VoN 2002



... and money making then

- **Trading:** after time in obscurity, Mid 2003 first support customers began to appear (4-5 digit \$ amounts). In 2004 we offered **OEM** and public companies began to engage for support, development and **extension licenses** (started to reach 6-digits). In DE freenet started interest snowball.
- **Jump in money volume:** company acquisition in 2005. Since then key business focus on non-open-sourced parts, while still continuing with maintenance.

The OS Blessing and Course

- OK: SER became known and popular through open source
- The hard part: how to survive with something everyone can download from the Internet until we find someone to acquire? (if anyone at all)
- Can customer support, OEM and non-OS extensions carry startup salaries?

Traditional Market Obstacles for Telecom Startups

- Support services deliver the volume ideally if there are many customers (not the case with telcos) of which you have a reasonable share (not the case with a startup)
- Market consolidation in telecommunications: number of customer sinks but the number of big customers that don't trade with startup grows

OS obstacles

- **Companies that don't bring you money**
 - **DIYER** operators really rarely brought funds, despite they had spent many years in development of features we had on stock.
("I'm not stupid to pay for stuff I can download and change")
 - Professional-service integrators ("Glue-gun companies") began to compete against you.
- **Perception** of open-source is shifting now, but back in 2005 the capitalist viewpoint prevailed among many customers: free equals worthless
- SER "**serial forking**" diluted the open-source effort for long time

The Lessons?

- It is great to be open source taker: we would have never established a working system if we were to build it whole.
- It was however the closed-source part which by way of OEM and extensions allowed us to exist as Givers.

What I Would Try Today as an OS Entrepreneur?

- 1) Change the Perception: OS-based products objectively provide added-value over comparable Closed-Source Products (security scrutiny, avoidance of vendor-lock, customization possibilities) – Why the heck shall a customer pay less for more
- 2) Keep IPRs, some of them closed, if you fail with 1) ☺ - never give everything you have
- 3) And take-it-easy, there are much bigger precedents to keep no-sayers away: JBOSS, SleepyCat, MySQL, XenSource, Zimbra, SpringSource

Thank You

