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HP: Betting on Open Source Software Stacks

According to various reports, HP will announce today that it will work with JBoss, an open source application server based on Java 2, and MySQL, an open source DBMS vendor, to certify, support, and jointly sell their products on HP servers. Today, HP holds the marketshare lead in selling Linux-based servers.

A rivalry has developed between HP and IBM with respect to which company is the leader in open source. My view is that before anyone selects HP or IBM as the champion of open source, they should take a close look at Sun's involvement in open source over the past several years. The folks at Sun believe that they have sponsored more open source projects than either HP or IBM.

But HP's announcement is not about who the open source champion is. Instead, it is about selling servers. Dell, HP, IBM, and Sun are primarily interested in open source because it is a way to sell servers and gain a competitive edge. Because HP does not have much of a software business, instead relying on third party partners for middleware and business applications, offering open source stacks is a good move. It is unlikely that IBM would take this approach, at least for now, because it has proprietary offerings that compete with JBoss and MySQL.

I am currently working on an article for *LinuxWorld Magazine* entitled *The Business Value of Open Source* and have been interviewing a number of executives at HP, Novell, IBM, Red Hat, etc. Most of these folks along with myself believe that corporate users are beginning to see the advantages of open source software beyond Linux and Apache. I expect to see more open source applications companies such as JBoss and MySQL spring up over the next two or three years. Unlike the first open source companies, these new companies have the opportunity to see what types of business models work for open source software.

The question of interest here is: will JBoss and MySQL take market share away from the companies who sell competing proprietary products? I will focus on MySQL because while I was at Aberdeen Group, I was involved in a primary research project for a large vendor that assessed the market for enterprise-ready open source databases. We looked at MySQL and PostgreSQL.

In 2003, the database market was around \$9.5B - \$10B. We estimated the open source database market as small (measured in revenues) — less than \$100M worldwide. Open source databases have a niche in the low-end space. Generally, the database market is sliced by transaction type (OLTP, Decision Support, mixed), operating systems, size or level of the user base, niche, etc. IBM and Oracle are the leaders in the database market with about 65% combined market share.

During our interviews, we found that the installed bases of enterprise databases are, and this is shown by past history as well, strongly committed to them. We would not expect significant numbers of the proprietary database users to migrate, anytime soon, to open source databases. The reasons include lack of enterprise functionality in open source databases, the cost of migrating, and the lack of business applications running on open source databases. The largest area of opportunity for an enterprise-ready open source database is in the area of new in-house applications both at the low-end and high-end.

We found that virtually none of the users of proprietary databases would consider moving to MySQL. In fact, we found more interest, albeit small, from these users in moving to PostgreSQL. This does not mean that certifying, supporting, and selling an open source database is a bad idea. It does mean, however, that if HP wants to generate revenue from this approach, then it will have to devote time and money to marketing MySQL (and JBoss). Otherwise, JBoss and MySQL (and HP) will see marginal benefits from the support that HP is providing.

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