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## **The 451 Group: The Small and Medium-Sized Business Market Opportunity for Open Source Software Vendors Is Limited**

### ***New Report Explores the Challenges and Conditions That Must Be Met for Open Source Vendors to Succeed in the SMB Market***

**New York, November 28, 2007** – The 451 Group has found that while many vendors consider small and medium-sized businesses (SMBs) to be a 'hot market' for adopting open source software, the SMB market opportunity for open source software vendors is actually limited. SMB customers are highly cost-conscious and generally lack the IT resources to effectively manage anything beyond the simplest open source software. Easy-to-use open source software can be difficult for software vendors to make money from, but more complex or component-based open source software is unpalatable to the majority of the SMB market, unlike the historical and continuing success of open source software in the enterprise market.

The findings are discussed in a new report by The 451 Group, a New York-based technology-industry analyst company focused on the business of enterprise IT innovation. The report is part of the 451 Commercial Adoption of Open Source (CAOS) Research Service, which investigates both user experiences and vendor strategies as enterprise customers begin to deploy open source software.

The 451 Group sees Microsoft's dominance in the SMB market as a significant barrier for many open source software vendors attempting to infiltrate this market, and that is unlikely to change anytime soon. The prevalence of Windows and Office, and the sheer number of IT experts with MCSE certification, mean that most SMBs will continue to use the technology they know, even if that means adjusting internal business processes to meet the technology available. Open source software that integrates with and supports Windows and other Microsoft products will have an advantage among SMBs.

"While Microsoft's market hold will be hard to chip away at in North America, many other markets in Asia, Europe, India, South America and elsewhere should experience rapid growth of Linux and open source software fueled by local government and commercial directives and preferences," said Jay Lyman, Analyst with The 451 Group and lead author of the report.

Opportunities to sell open source products and services to SMBs do exist, but only under the right set of circumstances. In fact, 451 analysts found that most vendors mix various strategies: offering hosted versions of the application (SaaS); ensuring that open source applications run on Windows; building easy-to-install, bundled 'software appliances'; and providing separate commercial licensing options and tools such as installers, which make open source more like shareware and packaged software, and thus more appealing to SMBs.

"Many of these strategies seem logical given the variety of users in the SMB market, and this may prove wise as vendors are able to gauge what is working and adjust accordingly," said Raven Zachary, Open Source Research Director.

The 40-page report, 'The SMB Market Opportunity – How big are SMBs for open source?,' was written by Jay Lyman, together with Raven Zachary and Chris Noble, Director of Research at The 451 Group. This 451 CAOS Report explores the challenges and conditions that must be met for open source software and its vendors to succeed in the SMB market. In addition to providing guidance for SMBs contemplating open source, it also examines the future trends and opportunities taking shape for open source in this very different market.

### **Key Organizations Covered**

The report includes in-depth competitive assessments of the following organizations (although this is not a complete list of companies covered in various sections of the report): Alfresco, BitRock, GroundWork, OpenOffice.org, Open-Xchange, SugarCRM, Untangle and Xandros.

### **Report orders**

To learn more about this report, or to discuss developing a client relationship with The 451 Group, contact Simon Carruthers, Vice President of Research Services, via phone at 212-505-3030 x-103, or via e-mail at:

[simon.carruthers@the451group.com](mailto:simon.carruthers@the451group.com). Copies of the report can also be purchased by visiting:

<http://store.the451group.com/>.

### **About the 451 Commercial Adoption of Open Source Research Service (CAOS)**

The 451 Commercial Adoption of Open Source (CAOS) Research Service helps enterprise end users, software vendors and investors track and understand the opportunities and threats presented by open source. Its emphasis is on the advantages that open source methodologies offer, as well as the impact of consequent organizational, legal and cultural disruption. As part of the service, The 451 Group publishes six reports annually – each one examining a different issue and offering insight into user and vendor experiences. Additional features of the service include advisory services and a biweekly update of analysis and marketplace activity. The 451 Group also publishes a free blog for the enterprise open source community – 451 CAOS Theory – which can be found at:

<http://blogs.the451group.com/opensource/>

### **About The 451 Group**

The 451 Group is an independent technology-industry analyst company focused on the business of enterprise IT innovation. The company's analysts provide critical and timely insight into the market and competitive dynamics of innovation in emerging technology segments. Clients of the company – at vendor, investor, service-provider and end-user organizations – rely on 451 insight to support both strategic and tactical decision-making for competitive advantage.

The 451 Group is headquartered in New York, with offices in key locations, including San Francisco, London and Boston. The company also operates Tier 1 Research – an independent division of The 451 Group, which analyzes the financial and industry implications of developments impacting public and private companies within the IT, communications and Internet sectors.

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