

E-Learning Market Update (Jun 08)

This month we reflect on the rise of open source software and the implications for the e-learning market.

The growth of open source continues to be the dominate theme of this decade. The IDC in 2007 issued a report which argued "the market for standalone open source software (OSS) is in a significant growth stage". The IDC forecast that adoption of OSS will accelerate through to 2011 as barriers to adoption get knocked down. Significant demand for standalone open source software (OSS) will see the market grow at a rate of 26pc a year to reach US\$5.8bn by 2011, according to IDC.

We are in the early stages of the development and deployment of OSS according to Matt Lawton, program director of IDC's Open Source Software Business Models research program. "The market is still quite immature, especially now that we see active open source projects in all layers of the software stack. Although we see healthy growth in revenue from standalone open source software, we must keep in mind that revenue will substantially lag behind the distribution of open source software. Many distributions of standalone open source software are free, while paid distributions typically are based on pay-as-you-go subscriptions rather than pay-up-front license fees."

IDC's study revealed that the drivers for OSS adoption, and in particular commercial adoption of OSS, include the growing realisation that OSS "provides them with more choice and leverage with proprietary software vendors."

IDC said that worldwide revenue from standalone open source software reached US\$1.8bn in 2006.

The benefits to organizations are real and tangible.

"Organizations are saving millions of dollars on IT by using open source software. In 2004, open source software saved large companies (with annual revenue of over \$1 billion) an average of \$3.3 million. Medium-sized companies (between \$50 million and \$1 billion in annual revenue) saved an average \$1.1 million. Firms with revenues under \$50 million saved an average \$520,000."

Walli, S., Gynn, D., Rotz, B. V. The Growth of Open Source Software in Organizations: A Report.

A 2008 survey on the future of open source software found that:

- Approximately 81 percent of respondents feel the economy's turbulence is "good" for open source software
- Respondents revealed that the top three factors that make open source software attractive include: lower acquisition and maintenance costs; flexibility/access to libraries of community-developed code; and freedom from vendor lock-in
- More than 55 percent of respondents believe that in five years 25-50 percent of purchased software will be open source vs. proprietary
- The Web Publishing/Content Management market is expected to be most vulnerable to disruption by open source in the next five years
- Respondents expect the Security Tools be least vulnerable to disruption by open source in the next five years

The key findings of the survey are outlined in the appendix below.

Amit Deshpande and Dirk Riehle at SAP Research, have undertaken a recent study of the growth of open source and conclude that the growth of open source software code is growing exponentially.

The adoption of open source software is becoming mainstream. For example BT recently decided to provide the open source Sugar CRM system to its customers rather than the commercial Siebel product.

What are the implications for e-learning?

The big development in the e-learning market has been open source learning management environments.

A recent Gartner survey of higher education entitled "Higher Education E-Learning Survey 2007: Clear Movements in the Market" found "clear movement in the market" toward more open-source platforms in 2007. 26 percent of platforms on surveyed campuses were on open source e-learning system such as Moodle or Sakai. Gartner projects that number will grow to 35 percent by the end of 2008.

In the corporate sector last year's E-learning Guild report found that over 25% of small and medium sized businesses were using Moodle, the open source LMS. At Kineo we are strong supporters of open source software and if you are not familiar with Moodle you can our free [Moodle LMS demo](#).

There have been less significant developments in the authoring and development areas although there are open source authoring tools such as eXe and many free development tools such as Audacity for audio recording and editing which we review this month.

There are also a range of very useful open source and free testing tools, you can find out more at Mark Aberdour's excellent [opensourcetesting.org](#).

The real implications of open source software though are still be felt. Open source software is a disruptive force. The free nature of such software means that new tools can be distributed and adopted widely in a very short period of time. The e-learning market could be affected by developments of open source software from the education sector which transfer over to the commercial sector as is happening with Moodle. We believe we will see further open source developments from assessment software to authoring tools to learning environments which will change the shape of e-learning over the coming years.



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**The Future of Open Source:
Exploring the Investments,
Innovations, Applications,
Opportunities and Threats**

Michael Skok
General Partner
North Bridge Venture Partners
March 2008

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Our Panel

- **Roger Burkhardt**, President & CEO, [Ingres](#)
- **Marten Mickos**, SVP, Sun Microsystems
- **John Roberts**, Chairman, CEO, [SugarCRM](#)
- **Mark Shuttleworth**, Founder, [Ubuntu](#)
- **Jeff Whatcott**, VP Marketing, [Acquia, Inc.](#)

- **Michael Skok**, GP, [North Bridge Venture Partners](#)

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Annual Survey Results 2008

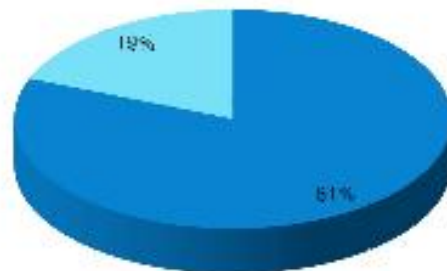
Respondents include OSBC attendees and
customers from all of the panelist's companies

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Is the economy's turbulence good or bad for open source software?



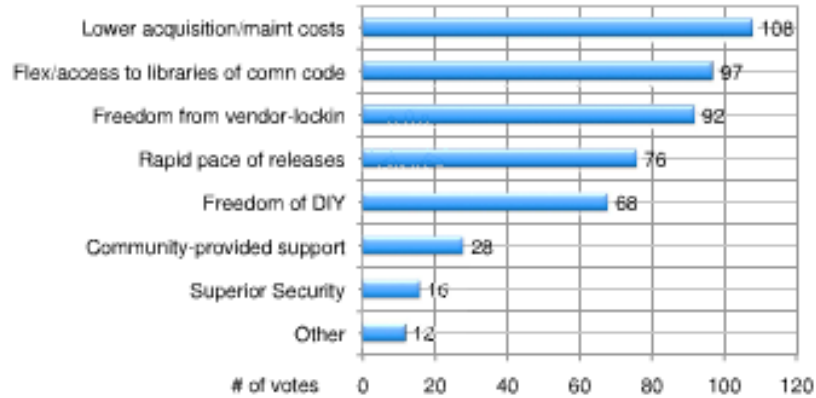
■ Good ■ Bad

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What are the top 3 factors that make open source software attractive?



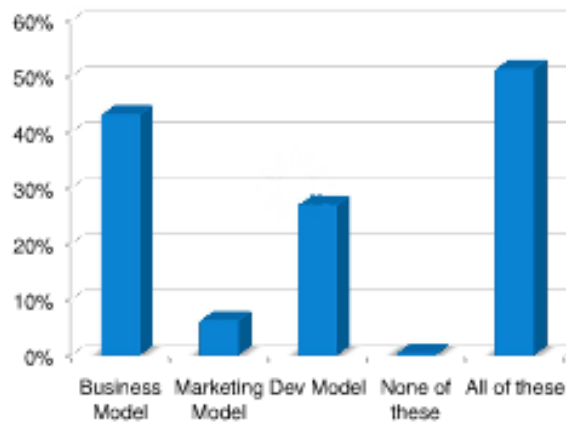
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Is open source a ...

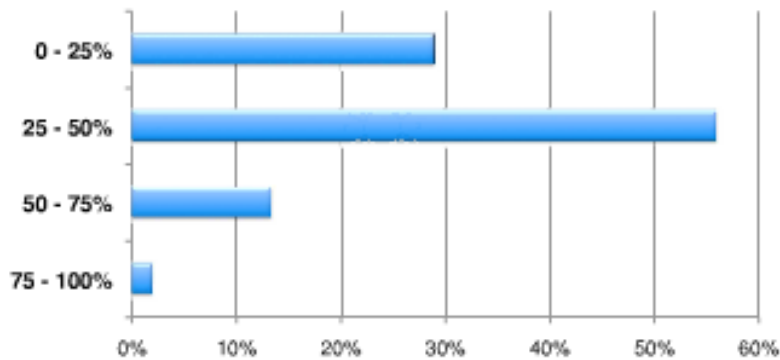


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In 5 years, what % of purchased software will be open source ?

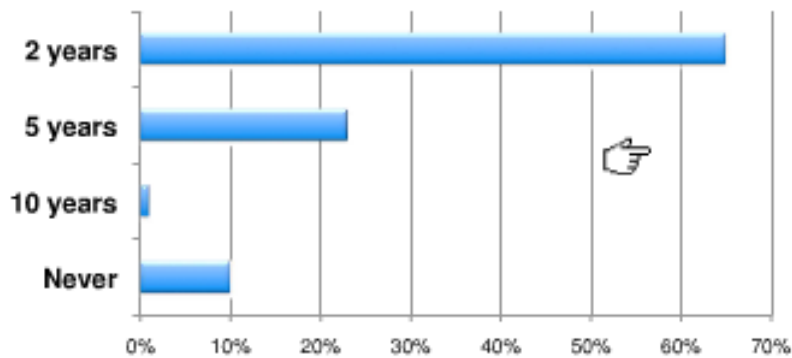


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When will there be another open source company with the stature of Red Hat?

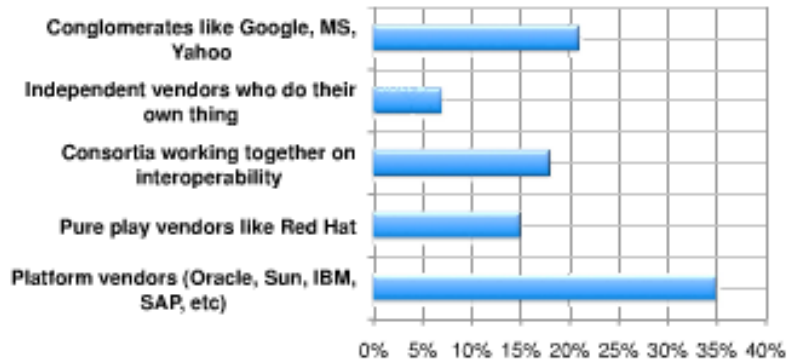


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Who will command the majority of commercial OS software revenue (non-consulting) in 2012?

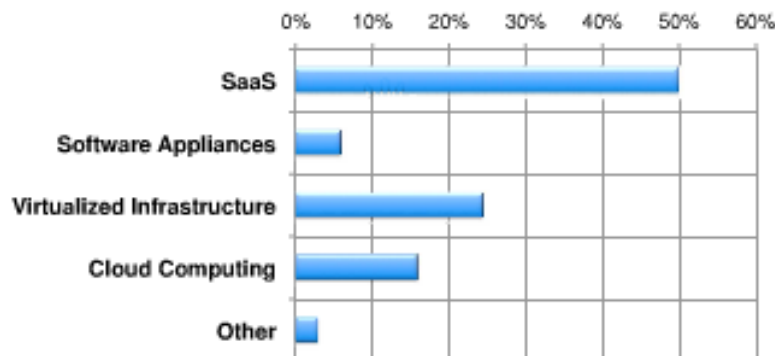


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Which of the following will have GREATEST impact on software delivery and/or business models for OS apps and middleware vendors?

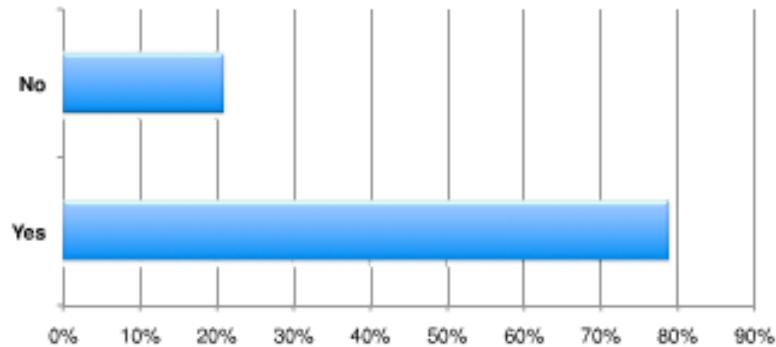


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Can a startup software vendor realistically enter the (enterprise) market with a product/service that is NOT open source?



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Which sector of the software industry is MOST vulnerable to disruption by open source in the next 5 years?

- Top 3 answers:
 - Web Publishing/Content Mgmt
 - Social Software
 - Business Intelligence
- Bottom 3 answers:
 - Configuration Mgmt
 - Enterprise Portals
 - Security Tools

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Which sectors of the software industry will NEVER be vulnerable to disruption?

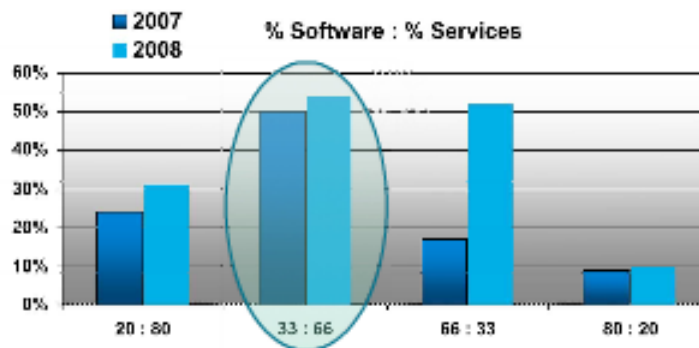
- Top 3 answers:
 - Security Tools (consistent)
 - Business Intelligence (not so consistent?)
 - Enterprise Service Bus
- Many write-ins for "NONE!"

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In 5 years, what will be typical % software, % services revenue at an open source company?

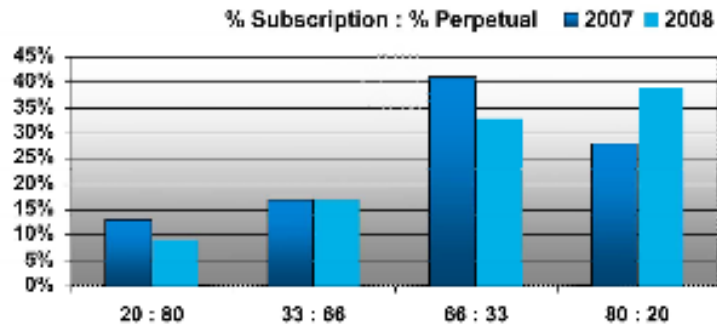


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In 5 years, what % of open source software licenses sold will be subscription vs. perpetual?



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