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How to ride the tide of open source to profit: 14 tips, 3 perks and 2 cautions

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For most people, open source and commercial software are two opposed camps at opposite ends of the market.

While capitalism drives commercial software, open source evolves from a community of developers who write and share code for the "greater good of the community."

Great things have come from the open source community (such as Unix and TCP/IP, to name just two), but we've always considered open source a little less ready for prime time — a little more prone to spaghetti code — than its commercial counterparts.

That is, until we met [Zmanda](#) CEO Chander Kant. Kant's been winning big with open source for more than eight years.

Zmanda's foundation is built on a long-standing open source backup project: [The Advanced Maryland Automatic Network Disk Archiver](#) or **Amanda** for short.

Zmanda's target market is SMBs and departments within larger companies who need to backup mission-critical data.

Since opening in September 2005, Kant has compiled an impressive list of clients, partners, and VC investors.

He estimates the company is now protecting half a million systems, including those for a little operation called [Yahoo! Mail](#), as well as [Citizens Gas](#), [Children's Hospital Boston](#), [Jigsaw](#), and [Yelp](#).

And he has partnered with some recognizable industry names: [Amazon](#), [MySQL](#), [NetApp](#), [Oracle](#), [Red Hat](#), and [Sun](#).

And from two fundraising rounds, Kant secured \$13 million from VC firms [BlueRun Ventures](#) (formerly [Nokia Venture Partners](#)), [Canaan Partners](#), and [Helion Venture Partners](#).

Kant considers 2007 to be Zmanda's first true year of revenue, when it had a growth rate of 900 percent over a trickle of revenue in 2006. He won't reveal actual numbers, but he says the company continues to grow at a high clip.

Growth isn't the only thing moving fast at Zmanda.

In July alone, it [announced remote backup support via Apple's 3G iPhone](#), [launched a new version of their flagship product Amanda Enterprise](#), and were [profiled by Byte and Switch as one of the top 10 storage startups to watch](#).

When SoftwareCEO sat down with Kant, we were intent on learning tips other ISVs could use to gel open source and commercialism together, without compromising the goals of either.

More specifically, we wanted to learn how Kant competes with — yet profits from — the open source community.

What we learned was eye-opening.

In case you're wondering, no, Kant doesn't pay any royalties to the Amanda project.

And no, Zmanda didn't just snapshot the open source code back in 2005, tweaking and tuning it since then into its own proprietary version to sell.

Yes, the company has its own source tree that Zmanda developers work with. But once some new development is deemed ready for prime time, it's contributed back to the open source community.

Kant says the open source "gate keeper" has nearly always accepted Zmanda's contributed code.

Kant's 14 tips reveal how he profits from open source, while staying true to the open source community.

Profit from open source tip #1: Let your customers show you the path to new opportunities

Prior to Zmanda, Kant ran [LinuxCertified](#), a regional IT service provider based in California that happened to offer backup as one of their services.

When customers asked for a backup solution, Kant says he'd always offer them two choices: backup using a large vendor's software, or backup using the open source project Amanda.

He told them there'd be no licensing fee for choice #2, but there would be a consulting fee for LinuxCertified to come in and install the software at their site.

"Every single time," Kant says, "people went with the second option because the economies were just staggering."

How much? Kant says Amanda saved his customers up to 90 percent over the commercial solution.

After observing this behavior for years, he decided the market was ripe for a new software subscription provider.

"We saw that other open source companies like MySQL and Red Hat were doing very well," says Kant, "so we decided to start Zmanda."

Profit from open source tip #2: You'll find top software talent inside the open source community

Kant already knew the Amanda community from his LinuxCertified venture.

He says the people he knew "were developing the software almost as their hobby, not to solve some problem that they had for themselves personally, or for their organization."

Inside the open source community, he says, you'll find all types: system admins and developers working at non-tech companies; administrators working at universities; and (as Kant calls them) part-time hackers working on the side, making their name in the open source community.

And he believes that hiring from the community comes with a few added perks.

Open source hiring perk #1: You get a known commodity with an established reputation

Finding top talent is easy, he says, because the developers' work is out there in the open for everybody to see.

Hiring from the "outside" can be risky. You really don't know the quality of the developer you're getting until they start writing code for you in-house.

Kant says Zmanda built its 40+ development team deliberately, one person at a time.

"We've hired conservatively, based on the needs of the company, and based on people proving themselves in the community."

Open source hiring perk #2: Everyone you hire comes with built-in motivation and commitment

Why? Remember, developers in the community already **volunteer** their expertise to the open source project, and expect zero monetary compensation in return.

You'd be hard-pressed to find developers more motivated than that.

Open source hiring perk #3: Someone in the community can accelerate features you planned, but didn't start yet

Kant says activity in the community sometimes affects his corporate plans. For example, integrating Amanda with Amazon's storage grid.

Kant says he had a plan to do it one year down the road.

When a developer in the open source community started showing signs that this was going to be done in a couple of weeks, Kant hired this person straight away.

"When somebody shines like that in the community, we'll hire them opportunistically. Otherwise, our hiring is based on corporate needs, just like any other software company."

Where else but open source can you find someone who's already working on exactly the same feature that's in your roadmap?

Profit from open source tip #3: Open source developers aren't free-wheeling, money-hating hippies

Recruiting from the open source community, Kant says, actually becomes much more exciting and in some ways easier.

He actively recruited senior members and other shining stars from the open source community to join Zmanda.

Was it hard to convince an open source developer to cross over to the dark side of commercialism?

Absolutely not.

Kant's approach was simple. Whenever he asked a developer to join Zmanda, he appealed to their rational side, saying, "You like doing this anyway. Now we'll pay you money for doing this."

"In every single case so far," Kant says, "each person has come back saying 'yes.'"

In fact, Kant says it remains one of their top ways of recruiting engineering talent today.

Let's face it, everybody needs money; and if you show someone how they can make money working on a project they already love, most will jump at it.

Profit from open source tip #4: When hiring an open source developer, be specific, and don't try to change them

But open source developers won't be happy if you force them to do something they really don't want to do — or something very different from what they were expecting when you hired them.

He offers up two cautions when hiring from the open source community.

Open source hiring caution #1: Be clear about your goals for the next couple of years

"What we have done very well so far is to give [developers] a very wide latitude," says Kant. "Of course, we tell them that these are the goals of our development.

"Fortunately so far, those goals have matched what the user community wanted to get from the project anyway."

Open source hiring caution #2: Don't try to force top-down control

Kant says even though most of the top developers in the community are now Zmanda employees, they're still coding in the open source space.

"For some developers," he says, "that's the only thing they do."

From an economic standpoint, why pay developers to work full-time on the open source Amanda project?

Kant's approach is actually a win-win-win for all.

Developers win, because Kant pays them to do what they love.

The Amanda open source community wins, because they now have full-time developers committed to making the project better.

Finally, Zmanda wins, because whenever somebody does something for the Amanda project, they're effectively improving Zmanda's flagship product, Amanda Enterprise.

Profit from open source tip #5: Hire from outside the open source community, too

Make no mistake: Kant's hiring strategy isn't limited to the open source community.

He rounds out his development team with engineers he calls "just good software developers." Their job, he says, is to do development based on the goals of the company, and contribute to the core project as needed.

Kant suggests this approach might play a hand in helping Zmanda meet both community and corporate goals. Hires from the open source community can stay focused on community goals, while "outside" hires help Kant meet company goals.

"The good thing is that the project is so big, we can do targeted development for a certain class of enterprise user, without getting in the way of more community-based development."

Profit from open source tip #6: The key to a happy, motivated virtual team? Equal treatment for all

If you haven't realized it by now, Kant runs an extremely virtual development company.

The bulk of Zmanda developers reside in two official offices: at HQ in Sunnyvale, California, and in a remote office in Pune, India.

But Kant says they also have full-time developers working out of home offices — and even from [Starbucks](#) cafes!

How do they stay productive and motivated?

Kant says he pays developers well, and he invests in good collaboration tools. At Zmanda they use an internal [wiki](#) and [IRC channel](#) to track development and communicate with one another.

Other than tools and money, Kant says the most important thing is "an attitude that says that regardless of whether you're here or remote, you are a peer and equal with everyone else."

He says Zmanda doesn't divide work up by location. Work gets divided based on who is best to do what.

This attitude — which Kant attributes to co-founder and engineering VP Paddy Sreenivasan — keeps everyone happy.

Profit from open source tip #7: Respect the consensus governance of the community

"Open source development works," Kant says, "precisely because most of the time there is no top-down control. The people who are really in control are the users of the project."

Yes, somebody could take the freely downloadable software and start their own community, but what tends to happen is that once a community develops, they create "street cred" which makes it very hard for somebody else to take it over.

On a daily basis, Kant says there are dozens — if not hundreds — of e-mails in the user area where people are talking about what works, and what needs to work.

Those discussions, he says, are what really control the future of the project.

"As such, there is no sort of fist-handed control. The whole point of open source philosophy," Kant says "is to stand on each other shoulders rather than stand on each other's toes."

Profit from open source tip #8: Don't be afraid to compete with a free product

Kant says Zmanda's business model is based on the same business model as MySQL and Red Hat.

He acknowledges that competing with the freely-downloadable open source project can be an obstacle, but he embraces it, rather than trying to hide it.

On Zmanda's site, visitors can download the free Amanda Community Edition. Or you can buy a basic Amanda Enterprise backup server for \$100 per year, or the platform-specific clients that range up to \$900 for an Oracle Solaris agent.

Kant understands there is a certain class of user who will never pay. They'll download it, compile it, and make it work on their own.

However, there's another group who need the help of a proprietary vendor. A commercial open source vendor, he says, can offer these prospects a reliable product with support for a much lower cost than a traditional enterprise software vendor.

It's this second class of users that are Zmanda's bread and butter.

Profit from open source tip #9: First capture the open source beachhead

Overall, Kant says he wants his firm to be one of the top backup companies in the world.

But its first marketing goal is to capture the open source segment of the market, to secure that beachhead before expanding into other territory.

Kant says Zmanda's five-person inside sales force primarily sells to people who come to the website.

Kant's other sales strategy is to sell through open source partners. The idea, he says, is to "partner with bigger companies that are leaders in our ecosystem."

Kant doesn't try to penetrate shops that are proprietary-based. Why? Shops that are 100 percent Windows, he says, probably aren't interested in Zmanda.

Profit from open source tip #10: Watch for trends in the ecosystem that help you expand to proprietary beachheads

Having said that, Kant doesn't exclude proprietary systems from Zmanda's feature list.

Instead he watches the open source ecosystem closely for new opportunities to emerge, and strikes when the timing is right.

"Just last week," he says, "we announced a port for Oracle. Now a few years back, would someone have approached us to protect their Oracle? Probably not. Today? Probably yes."

Why?

"Oracle is becoming very prevalent in Linux-based environments," he says, "and within the Linux community, we have established credibility."

That, Kant says, is Zmanda's way of competing with the big guys: Being well-known in one community, the company's name can help it expand to adjoining territories.

Profit from open source tip #11: Tap the community to create better docs, training, and bug reports

"Open source projects, including Amanda," says Kant, "really shine because you are benefitting from true experiences of your own peers as users."

One interesting phenomenon he observes is that Zmanda can use the community to train their support folks.

Newly-hired Zmanda support engineers cut their teeth, he says, by helping out users in the Amanda community. By doing so, his engineers learn the types of issues people face and how to resolve them, and they carry these experiences back to Zmanda's enterprise users.

Kant also says the community gives them a lot of input which helps Zmanda documentation and QA.

"Of course we have our own QA lab, but on a daily basis, we get reports from end users telling us what worked, or what didn't, including the reasons why, and how it was fixed."

This community feedback, he says, is a huge benefit to any open source company.

Profit from open source tip #12: Leverage the open source brand name to market your product

But probably the biggest benefit of running an open source company, says Kant, is that Amanda is a world-wide brand.

Open up a Unix system administration book, and if there's a chapter dedicated to backup, there's a good chance it talks about Amanda.

Whenever Kant visits a conference, he asks the audience how many have used or heard about Amanda. In most audiences, a lot of hands get raised.

Being able to leverage a brand name with worldwide visibility is a huge marketing opportunity for any ISV, and Kant takes full advantage of it.

For example, the forums show both Amanda and Zmanda discussions. The enterprise version of the software is called "Amanda Enterprise." Kant essentially blurs the names Amanda together with Zmanda, from the name of the company on.

Profit from open source tip #13: Hook new customers with the already-established Web 2.0 community

Kant says people get to know Zmanda through [the online forums](#), calling them "one linchpin for our marketing strategy."

"Anybody who has an issue with Amanda will come to our website, and that's where their issue gets resolved. That's our first hook."

How well does that work?

A quick check online reveals two groups of forums: Amanda, and Zmanda. In total there are 13 Amanda forums, and three Zmanda forums. Guess which group shows up at the top of the forum list? Yep, Zmanda.

On the morning we looked, there were 3,239 total registered members, and 24 guests online. Twenty-three of these were in the Amanda forums; a healthy crop of warm leads that Kant's team can nurture.

What kind of conversion rate does Kant see?

With thousands of users — hundreds more emerging each day — Kant admits very few give out their information. But he doesn't sweat that stat.

"By the time you get to them, you know there is already some self-selection. You know there is a true opportunity to make a sale."

Once Kant's sales force gets involved, he says they have almost a 50-50 chance of selling a Zmanda subscription.

Profit from open source tip #14: Recognize — and welcome — the fact that some of your users will never pay

In some ways, Kant actually welcomes free users.

"I would rather have a free user of my software," he says, "rather than a paid user of my competitor's software."

He points out that even free users provide a lot of value to the community. They may become a paid user at some point in the future, or they may tell 10 of their peers how great the software works.

From a sales perspective, Kant says you want to have a very soft approach.

"You want to tell prospects all the benefits they will get if they were to become a paid user, but you don't want to strong-arm them into it."

In other words, don't push them into your competitor's arms.

Kant's soft approach seems to be paying off.

His parting advice for any ISV who wants to profit from open source?

"You have to treat your community with gloved hands. They are the oxygen for the company. You cannot [tick] off your community, and run an open source company.

"Other than that, if you find the right field and the right community, it's a great ride."