



*With the abundance of competition in the marketplace, what innovative tactics will companies be taking to differentiate themselves (i.e. price cutting, vertical focus, channel development)?*

Everybody likes competition until they're the ones that have to compete. That seems to be the case in many corners of the enterprise software market, but most definitely in the well-travelled world of Enterprise Resource Planning (ERP).

Once upon a time, there were hundreds of players in the ERP market, through multiple generations of computing technologies, but recent years have seen more and more inductions into what I call the "ERP Graveyard." Driven in part by the abundance of private equity money looking for someplace safe to park, dozens and dozens of legacy ERP systems have been folded into a handful of mega-aggregators and put into what's charitably known as "maintenance mode." Of course, this has the effect of ensuring less competition in the marketplace – which a cynic might suggest is exactly the point. But, as often occurs, there are market reactions to even this, which are inuring to the benefit of end-user consumers.

Our company, xTuple, has sought to differentiate itself by aggressively championing the needs of the end-users in this conversation – and harnessing one of the primary market reactions to the ERP vendor consolidation. That reacting force, which has already made a huge impact in other areas of the enterprise software market, is open source software.

As a young, self-funded software vendor in a space dominated by multi-billion-dollar giants, we're obviously an extreme case of David and Goliath. And this is where open source has helped xTuple to differentiate ourselves, in three major ways.

First, like a growing number of companies, we take advantage of open source components at the infrastructure level. For years, the open source PostgreSQL database has been a core

technology for us – and the PostgreSQL community has thrived, even as proprietary database platforms have receded. The latest affirmation of this trend has been the well-publicized news that Salesforce.com is hiring a large number of PostgreSQL engineers, presumably with the aim of reducing their dependence on Oracle, a competitor in the application space.

xTuple also built a new Mobile Web client with an all open source, all-JavaScript toolset that includes the Node.js server, the Backbone.js model system and the Enyo HTML5 framework. The ability to ride the leading edge of the innovation curve with these fantastic open source projects is a major differentiator for us – in controlling costs, reducing risk and improving software quality.

Second, we embraced open source for the ongoing development and distribution of our own product. Those are actually two distinct, yet interrelated points. By embracing a global community of business software professionals, actively including them in the development, QA and support of our software, we dramatically improve our internal business processes. Again, we benefit in the areas of cost, risk and quality – and there is the added benefit of a direct connection with customers, partners, and other users of the software.

Why – or better yet, how – do all those people participate in our product development process? xTuple makes the source code of the core product freely available through open source distribution portals like GitHub, SourceForge, and Google Code. The ability to leverage these communities as inexpensive distribution channels is another great benefit of open source – and one tightly aligned with the process of community-driven product development. One cannot work without the other; there have been numerous cases of so-called “abandon-ware,” technology which companies have thrown over the fence into open source – often as a strategy of last resort – years after their core market moved on. Simply making the source code available isn’t enough; software vendors who wish to succeed in open source must engage their communities with vigor, transparency and clarity of purpose.

xTuple, and our entire ecosystem, actually experience an accelerator effect. Better, faster, cheaper – and despite what you might have heard from engineers in the past, you can actually pick all three.

Finally, open source has helped us differentiate ourselves in a difficult market with the development of a robust commercial open source business model. SIAA members are doubtless well aware of the suitability of different business models for different technologies,

markets and/or layers of the information technology “stack.” Commercial open source companies can build businesses that are primarily services-based. They can leverage open source in hosted/cloud settings, with subscription or usage-based models. Or they can build what’s known as an “open core” model, selling commercial licenses to functional add-ons and supersets of the free, open source, core functionality.

xTuple has done all of these – and, consequently, has a diverse set of revenue streams, with the ability to offer customers a varied menu of offerings from which they can pick and choose the products and services that best meet their needs.

When we first walked down this path, we followed in the wagon trails of open source pioneers such as Red Hat. In those early days, we were often drawn into long discussions of this curious and somewhat alien-sounding approach. It’s telling that we almost never have those conversations today; open source has become a mainstream business concept, accessible and understandable to even the least technical professional consumers. Open source is simply a better way of making a product; the product just happens to be software. And commercial open source companies will continue to reap the rewards of a market evolution that rewards quality, transparency and clear alignment of value between software vendors and their customers.

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