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Information Flow*

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## **Open Standards - Open Source**

**The Business, Legal, and Technical Challenges Ahead**

**June 24-25, 2003, Minneapolis, MN, USA**

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**In association with**



**UNIVERSITY of ST. THOMAS**



# PROJECT:avalanche

*The Corporate Software Collaboration and Open Source Initiative*

*The Open Group*

Minneapolis/St. Paul - June 24, 2003



# Problem Statement

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*Companies are spending millions of dollars on the acquisition and support of packaged software products and internal software development with marginal ROI.*



# What is Project Avalanche?

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*An initiative chartered by a group of companies that believe an opportunity exists to reduce cost and increase control of mission critical software through collaboration and shared risk.*

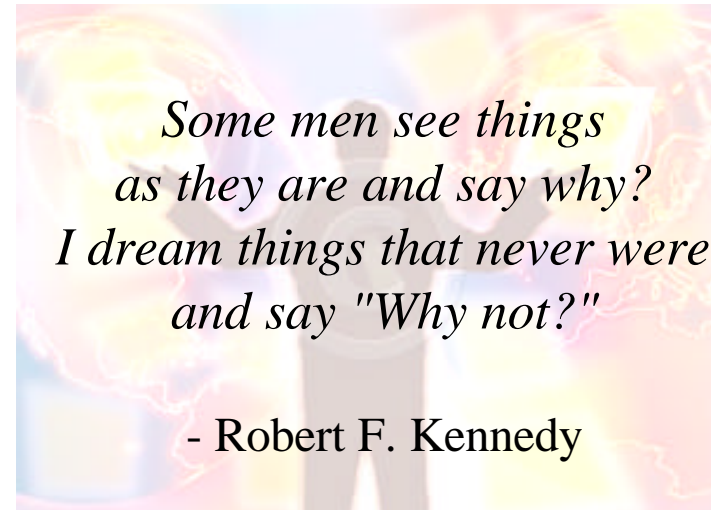


# Corporate Sponsors

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*as of January 2003*

- Best Buy
- Cargill
- Jostens
- Imation
- Manchester
- Medtronic
- Thomson





# Our Vision

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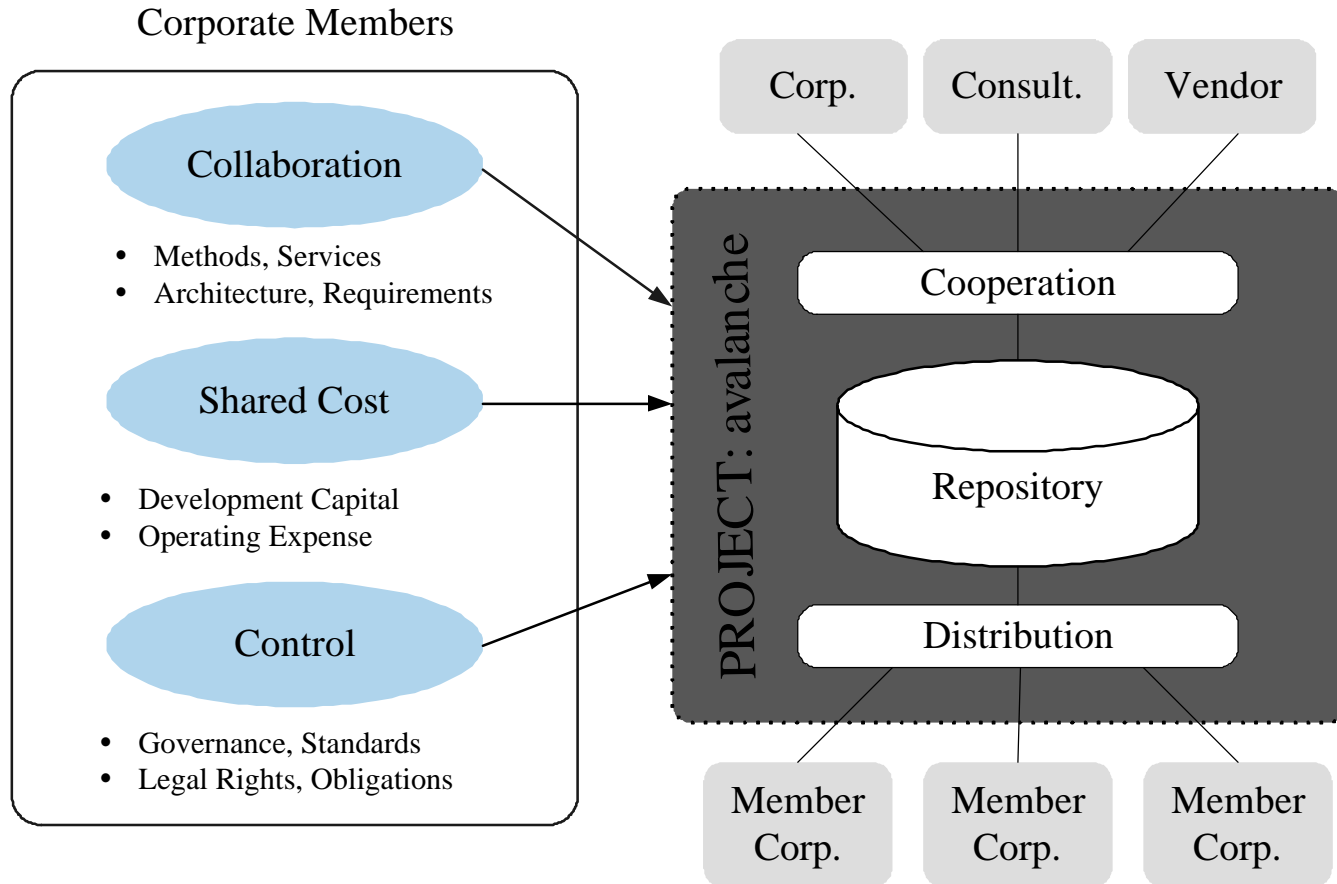
**Hundreds of corporations, consultants, and vendors cooperating to develop a repository of shared business applications that members can download, modify and distribute.**

Members collaborate to develop new applications, share in development and maintenance. Members control a pool of money used to acquire software that is added to the repository.

**Significantly reducing the total cost of ownership of business software.**



# Our Vision





# The Facts

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Corporations spend over \$80 billion annually on software licenses with marginal ROI.

*(Source: Gartner)*



Total cost of ownership over 5 years is up to 20 times the initial software license.

*(Source: Case Studies)*



Corporations are forced into vendor upgrades (averaging less than every 3 years) incurring significant cost.

*(Source: META Group)*





# IT Industry

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- **Reduced spending**

2001 was the first decline in IT spending in 5 years

- **Fewer, larger software companies**

By the end of 2004, 50% of the top 50 software product vendors will have been the subject of merger, acquisition, disposal, or demise

- **Companies' IT cost are increasing**

By 2004, IT infrastructure cost will surpass facilities infrastructure cost in 20 percent of global enterprises

*Source: Gartner*



# Open Source

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- Limited number of well-financed, viable open source industry participants
- Few providers of high quality service and support
- Many open source companies are switching back to a proprietary software business model



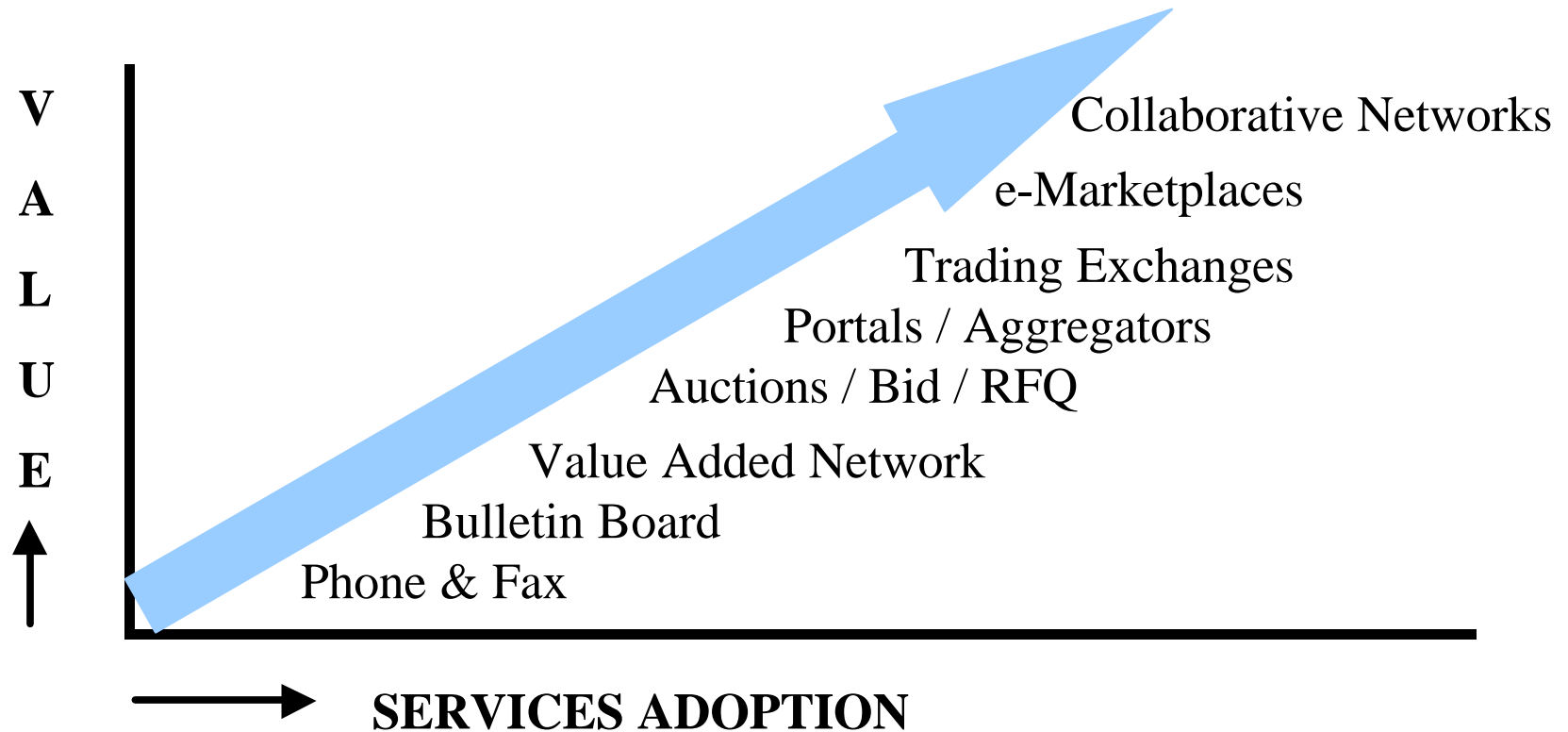
# Collaborative Commerce

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- Collaborative commerce is gaining momentum across most industries (Gartner)
- The collaborative product commerce market will reach \$20 billion by 2005 (Aberdeen Group)
- The biggest challenge around collaborative commerce will be cultural issues, not technical ones (InformationWeek.com)



# Collaborative Trends



Source: KPMG



# Conclusions

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- Software companies are trying to survive in a volatile economy by consolidating and finding new ways to generate revenue but not by adding value to their customers
- A pure open source business model is not a viable model, as many open source companies are going out of business
- Collaborative commerce may be growing, however there is no evidence that companies will work together to develop corporate software products



# Our Response

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- Create a mechanism for corporations to share ideas, knowledge, software and other IP
- Embrace what works with “open source” and make commitments to the model within a controlled community of interest
- Enable the exchange of tangible, valuable assets between corporations



# The Business Model

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- Private exchange

Corporations participate in a private exchange that enables them to contribute and freely distribute intellectual property

- Annual membership fee

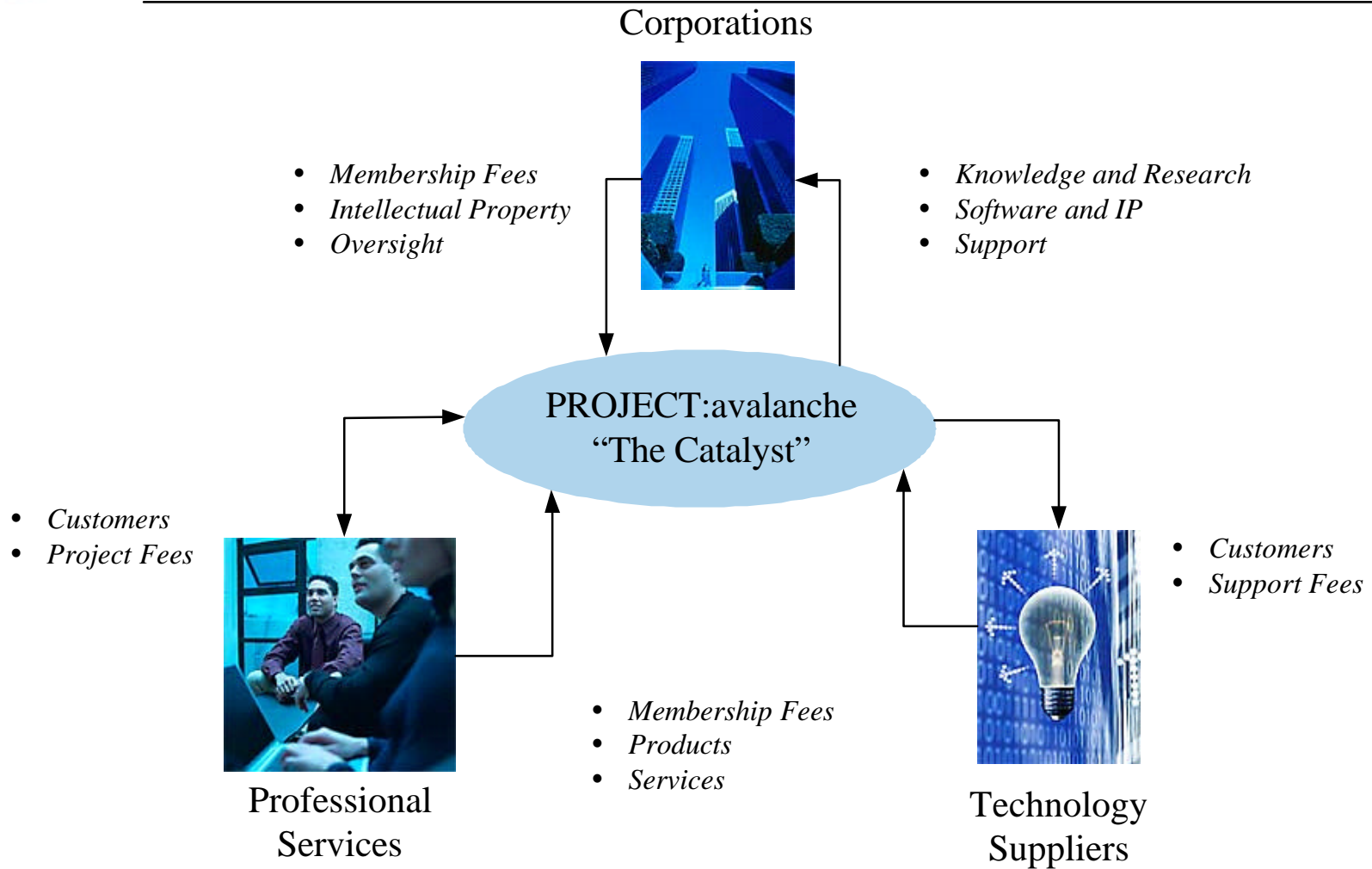
One membership fee provides access to all products and services:

- Research & publications
- Collaborative forums & events
- Perpetual, enterprise-wide software licenses
- Services & support

- Independently managed, governed by members



# Business Model







# Value Proposition

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## **Access to New Assets & Resources**

*Members will have access to assets and resources that an individual corporation would not be able to obtain on its own.*

## **Save Money**

*Through leveraging the “open source” model of sharing software, a corporation could save over 30% on 5 year TCO.*

## **High Return on Investment**

*Per application, this could create millions of dollars in savings with an expected internal rate of return of 100%+.*



# Value Proposition

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## **Significantly Increase Control**

*Members control functionality, release schedules, and investment in new products.*

## **Collaborate With Others**

*Members will be able collaborate on critical business issues, share knowledge and exchange ideas.*

## **Buying Power**

*Members will have the strength to control software spend and leverage supplier relationships*



# Conclusions

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- Substantial economic value creation potential by sharing open source and other IP.
- Sharing is hard within a single corporation, between unaffiliated businesses may be harder.
- Implementing new ways of doing business entails risk.



# Status of the Project

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- Completed Business Charter in 2002
- Work in Process
  - Organization and Management
  - Public Relations and Business Development
  - Content and Projects (“Birds of a Feather”)
    - Digital Asset Management
    - IT Portfolio Management
    - Bolt-on Repository
    - CRM
    - Linux Platforms
- Seeking Members to Expand Community



# Call to Action

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*Project Avalanche seeks willing sponsors:*

- To invest money, time and expertise
- To collaborate and share IP
- To attack the issues associated with corporate software cost and control
- To help make this vision a reality



# Member/Sponsor Commitment

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- Membership fees
- Governance
- Collaboration
- Contributions

*The key success factor is the members' willingness to collaborate and share. Member commitment ultimately determines the value potential.*



# PROJECT:avalanche

*[www.projectavalanche.org](http://www.projectavalanche.org)*

... be part of the momentum