

The Business of Linux

How individuals can get in
the game.

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Jargon & Concepts

The fundamental question in any presentation is...

How Fast Should We Go?

First...

A mile-high view of the
playing field.

Tell me about FOSS

Looking at the economics of Free Software, what do you know about ...

- The players?
- What they're selling?
- Who's buying?
- The applications? Business or Consumer?

Where are the opportunities?

Middle-Market Companies

A medium-sized company, usually one with 10 to 100 employees and revenues of \$10 million to \$50 million. They collectively employ more people than large companies, and usually have a less formal structure.

<http://www.businessdictionary.com/definition/middle-market-company.html>

A generic term used to describe the universe of well-established, and mostly private, companies in traditional sectors that form the demand side of much buyout and mezzanine activity.

http://www.financeglossary.net/definition/2268-Middle_Market

Why the Middle Market?

- Big business is covered – mostly.
- Individuals are covered – mostly.
- Mid-market business has needs that aren't addressed with Mega-corp modeling or with consumer solutions.
- IT Departments, if they exist at all, are usually very small.

Mid-Market IT Needs

- More time & money
 - Time off-sets expense or
Money off-sets research time.
 - Time = Money, the Equation going both ways.
- Software is a cost center not a profit center
- Standards – Can they send/receive files effectively?
 - MS Office can't be called a standard - .doc vs. .docx
- A neck to wring

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Midmarket

Midmarket Companies Steady on PC Purchases, Report Finds

By: Nathan Eddy
2010-06-16
Article Rating: ★★★★★ / 1
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More than 60 percent of cost-conscious businesses surveyed intend to spend money in 2010 on PCs, networking equipment, and servers and 59 percent plan to spend on storage equipment.

Small to [medium-size businesses](#) (SMB) are more likely to spend money on PCs this year than on any other major IT hardware category, according to leading market research company The NPD Group's SMB Technology Report. According to the report, more than three quarters (77 percent) of SMBs plan to spend more, or about the same, on new PC equipment in 2010 versus what they spent in 2009.

Overall, 41 percent of [SMB](#) PC purchases are expected to go through manufacturer direct channels, a percentage that remains consistent regardless of firm size. The report noted 43 percent of under-50 employee firms intend to use retail or ecommerce channels for their PC purchases. However, the report found with larger firms that share moves towards value added resellers (VARs) and national resellers. NPD reported more than 40 percent of purchases in firms with more than 50 employees are likely to use those channels.

Resource Library:

[Profit from Power Savings - Easy Steps to Greening your IT Operations via PC Pow](#)

Perhaps indicating an economic stabilization within SMB IT departments, only 23 percent of firms planned to reduce PC spending this year. However, NPD's report found on average firms plan to spend about 32 percent less on other hardware categories such as storage, networking, servers, and printers.

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eWeek - Key Points

- More than three quarters (77%) of SMBs plan to spend more, or about the same, on new PC equipment in 2010 versus what they spent in 2009.
- 43% of under-50 employee firms intend to use retail or eCommerce channels for their PC purchases.
- More than 40% of purchases in firms with more than 50 employees are likely to use VARs.

How big is 40%

- US Census Bureau shows nearly 5 million businesses with 499 or fewer employees.
- 40% would be approximately 2 Million potential clients

Drilling Down

Linux Desktop market share is just about 1%.

Assuming 1% of SMBs use Linux, that's about 20,000 firms in the client pool.

If SMBs begin adopting FOSS technologies due to local support availability, we could assume Linux market share would rise above 1%

But, is Software a...

- Product?
- Service?
- Skill?
- Or, All of the above?

Answer

Software and the ability to get hardware to work in the way you want it to is a...

Marketable Skill

What about "Open Source?"

Open Source describes practices in production and development that promote access to the end product's source materials.

http://en.wikipedia.org/wiki/Open_source

Open Source Trades

Software isn't the only open source skill

- Carpentry
- Plumbing
- Farming
- Repair – Automobiles, Washers, Refrigerators, etc.
- Fashion
- And many others

Ancient SKILLS

...for the most part. There might be a secret sauce, but so many things can be learned in an open source manner.

Open Industry Considerations

- Do prepackaged seeds put farmers out of business?
- Does access to scissors put the barber out of business?
- What about Home Improvement Stores?
 - Shouldn't that put Plumbers, carpenters and electricians out of business?

What's the point?

Even if a business has the same access to information and tools as you do, they have many reasons to buy what they need.

Their Needs +
Your SKILLS =
Opportunity

Understanding the Value

Value – It's not a price.

<http://www.merriam-webster.com/> States...

1 : a fair return or equivalent in goods, services, or money for something exchanged

3 : relative worth, utility, or importance <a good value at the price>

Advantages

- You don't have to undercut your profit to be the less expensive option.
 - Begin with the finishing touches
 - Licensing costs
- Compatibility
- Continuity
- Scalability
- Standards Recognized Internationally

Standards

What if the following were non-standard?

- Nuts and Bolts
- Light Bulbs
- Electrical outlet configurations
- Appliance dimensions

Getting in the Game

First, The Rules

- Business has ground rules
 - Some are actual laws that will vary by location
 - Most are just the the basic skills and techniques developed over time.
- You can get the basics lots of places
 - SCORE
 - SBDC – Small Business Development Centers
 - Reading – Books, Online KarlieRobinson.com

Planning

Planning is suppose to suck!

Let's say you discover your financial projections are unrealistic and mean certain failure. Would you rather...

- Do more research and rewrite your plan
- Or -
- Take out a third mortgage on your house to make this week's payroll?

The Business Plan

- If it was easy to write, you probably did it wrong.
- Knowing the dead ends before you start is the ideal way to navigate this new business
- Sorting through all the info also gives you a knowledge bank to fall back on should you need it.

It's also where you go to formulate Plan B, C, and D.

The Formal Plan

- You may not need one but you'd be foolish not to run the numbers.
- You'll need a formal plan for investors.
 - A bank loan
 - Venture Capital
 - Forming a Partnership
- It says “I've thought this through and you will get your money Back.”

Bench-marking

- The consensus in Tech based industries is that new is good and old is bad
- If a new FOSS based Industry is going to take hold, we need to benchmark existing industries.
- The trades have working business models that can be studied and used to jump start your business.

Benchmark – The Trades

- Where do the skilled trades make their money?
- Is there a particular customer or niche?
- Where is their sweet spot?
- How do they structure their menu of services and pricing?

Don't be afraid to come out and ask. They'll probably even tell you everything you want to know.

Benchmark – IT Services

- Ask the same questions as you would with the trades, just don't expect a lot of helpful responses.
- In this case you're more than likely going to be direct competitors.
- Best practice – if you ask, do it discretely.
 - You don't want them to beat you to the punch

Marketing

Yes, you should have a marketing plan too.

- Who are your customers?
- How do you reach them?
- What services do they want/need?

CAUTION – Word of Mouth

- Who's going to say how awesome you are if you've never worked for anyone?

Points of View

- Marketing isn't about what you want say, but about what the customer needs to hear.
- DON'T Underestimate the importance of stepping away from the for-geeks-by-geeks FLOSS marketing that you're use to seeing.
- If needed, find someone familiar with FOSS and SMB speak to translate for you.

Wrapping Up

- The Middle market is open for business, but there aren't many FOSS Providers offering solutions in this space.
- Software is a Skilled Trade, and perhaps we need to spend more time thinking about it that way.
- We can also look to the Trades for effective business models.

Lower the Barriers

- The barriers aren't that big if you've got the right mindset going in.
- A good team of advisers can help you overcome any portion of the business process that you have questions about.
- The rest comes down to your skills and ability to get the job done to your client's satisfaction.

Getting Help

- Focus on the business basics
 - The fundamentals are the same no matter what your industry.
- Surround yourself with smart people.
 - Good answers to stupid questions vs. Stupid answers to good questions.
- Delegate where needed so you can focus.
 - An Office Manager isn't expensive if you're losing billable hours waiting for a package delivery.

Thank you!

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