OSS BUSINESS MODELS

In academic settings, open source is misunderstood as the opposite of commercialization. But this is a myth — for-profit software companies often use open source.

WHY DO COMPANIES OPEN SOURCE?

- REVENUE vs. EXPENSES
  - Open source software can be a significant cost-saver.
  - Companies can sell support and training services.

- NOT UNIQUE
  - Differentiation is often achieved through design, marketing, or service rather than software functionality.

- NETWORK EFFECTS
  - Platforms and applications benefit from having a large user base.
  - More users mean more users.

- COMPETE W/ FREE
  - Open source can be used as a low-cost, high-quality alternative.

OPEN SOURCE IS GOOD

COMPETING WITH FREE

Large existing companies risk disintermediation.

OS COMMERCIAL EXAMPLES

In past 5 years, OSS startups have raised $17B

TAKEN AWAY:

Open source projects can be very profitable.

OPEN SOURCE BUSINESS MODELS

- DONATIONS
  - Simply a "$100 via Donate" button.
  - Example: GitHub has been very successful with this.

- USER BASE & DATA
  - LEVERAGING USER BASE & DATA:
    - Once a large network or user base has been created, there are numerous revenue streams, including advertising, email search or app store sales.

- WIDGET FROSTING
  - COMPANY PRINTS WITH SOFTWARE:
    - Software released OSS to enable more hardware sales.

- ENTERPRISE SUPPORT:
  - COMPANIES OFFER SUPPORT, IMPLEMENTATION, 
    OR CUSTOMIZATION OF A PRODUCT THAT IS FREE.

- FREEMIUM
  - FREFIX:
    - Offer a free subscription to the software and a premium subscription to customers.

- Saas
  - SOFTWARE AS A SERVICE (SaaS):
    - More pure SaaS software companies for companies that want to use software, but not own it.

- MULTI-LICENSING
  - ONE PRODUCT WITH MULTIPLE LICENSING OPTIONS:
    - One for enterprise; another for small businesses; another for end users.

- LOSS LEADER:
  - A company uses OSS software to establish a customer relationship to sell additional products.

- OPEN CORE
  - CORE COMPONENTS ARE FREE, BUT FUNCTIONALITY IS C廷ED TO PREMIUM VERSIONS.

OSS LICENSE SHOULD ALIGN WITH THE BUSINESS MODEL

- Additional OSS Business Models https://www.openbusinessmodel.com/