

# Open Source Business Models & License Changes



**James Governor @monkchips**



## What is a business model?

“A design for the successful operation of a business, identifying revenue sources, customer base, products, and details of financing.”

*OxfordLanguages*



# What is open source?

Open source projects are projects licensed with an OSI-approved open source license.

That's it. It's that simple, and there are no exceptions

See the list:

<https://opensource.org/licenses/>







# TWO THINGS CAN BE TRUE

## **OPEN SOURCE IS NOT ITSELF A BUSINESS MODEL**

Open source is a software development model, not a business model.

## **OPEN SOURCE CAN ENABLE BUSINESS MODELS**

It is possible to monetize open source directly, to monetize it indirectly; it is possible to make money both from open source and with open source, in other words, but it's crucial to understand the difference between the two.



# COMMON OSS BUSINESS MODELS

- 01 DUAL LICENSE
- 02 OPEN CORE
- 03 SERVICE/SUPPORT
- 04 MANAGED SERVICE / SAAS





# OPEN SOURCE LICENSE STYLES

There are some that don't fit cleanly into these lists, but these are the major styles from least to most restrictive

## 01 PERMISSIVE

Examples

Apache, BSD, MIT

## 02 FILE-BASED

Examples

CDDL, EPL, MPL

## 03 COPYLEFT (AKA RECIPROCAL)

Examples

AGPL, GPL

# WHY OPEN SOURCE?

- Accessibility and distribution advantages
- Developer and enterprise affinity for open source
- Community expansion and enablement
- Lowered friction for commercial software partners
- Potential for greater security
- Optionally: external code contributions

# WHY NOT OPEN SOURCE?

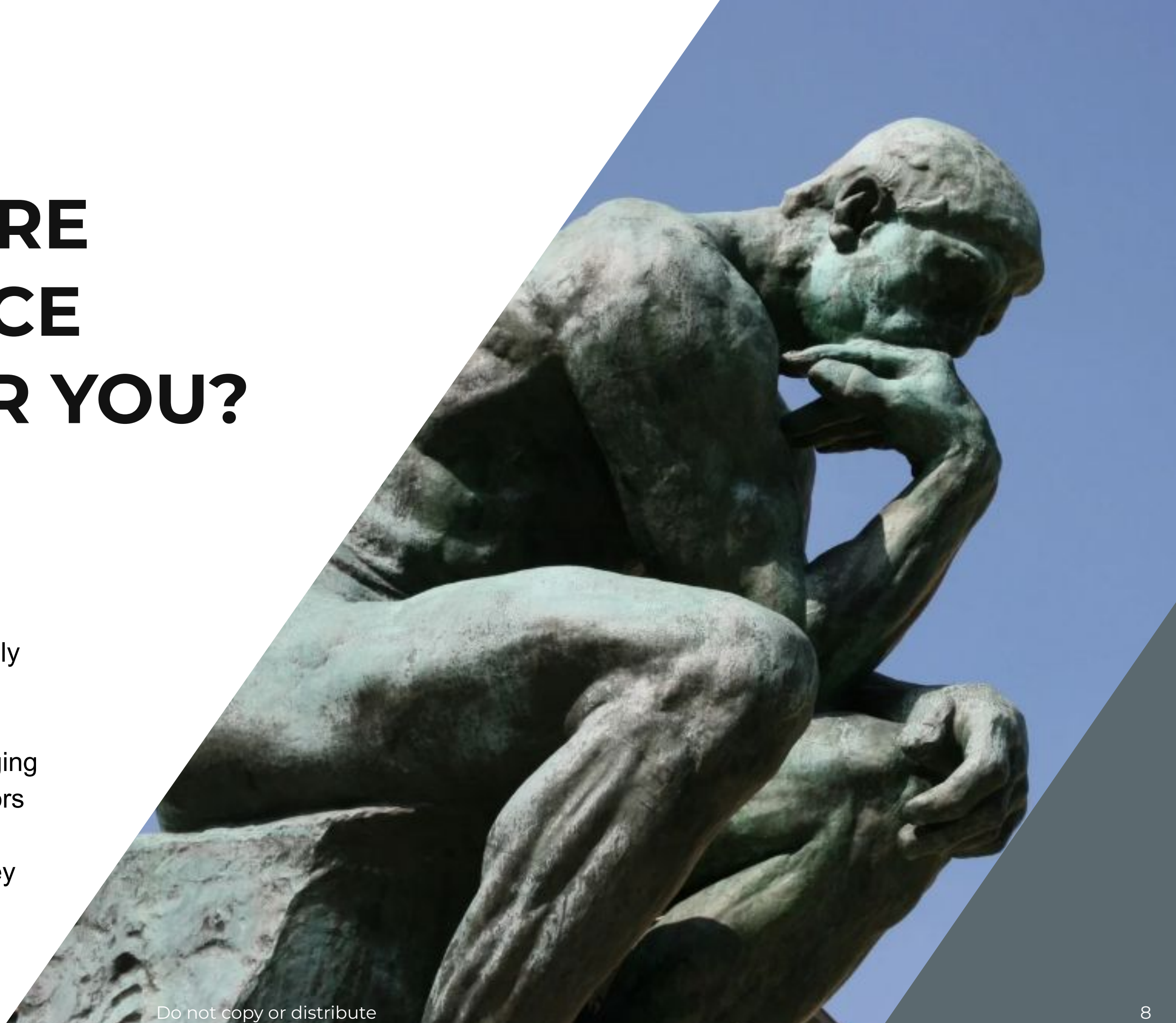
- Few barriers to competitive implementations
- Decreased purchasing incentive for buyers
- It's hard, often thankless work
- It's expensive work
- Investors may not be aligned with project needs



# ARE YOU SURE OPEN SOURCE IS RIGHT FOR YOU?

ARE YOU *REALLY* SURE?

1. Pulling back from open source is problematic
2. Changing the OSS license is equally problematic
3. Open source makes traditional commercialization models challenging
4. Open source can enable competitors
5. Open source requires significant investments in both time and money

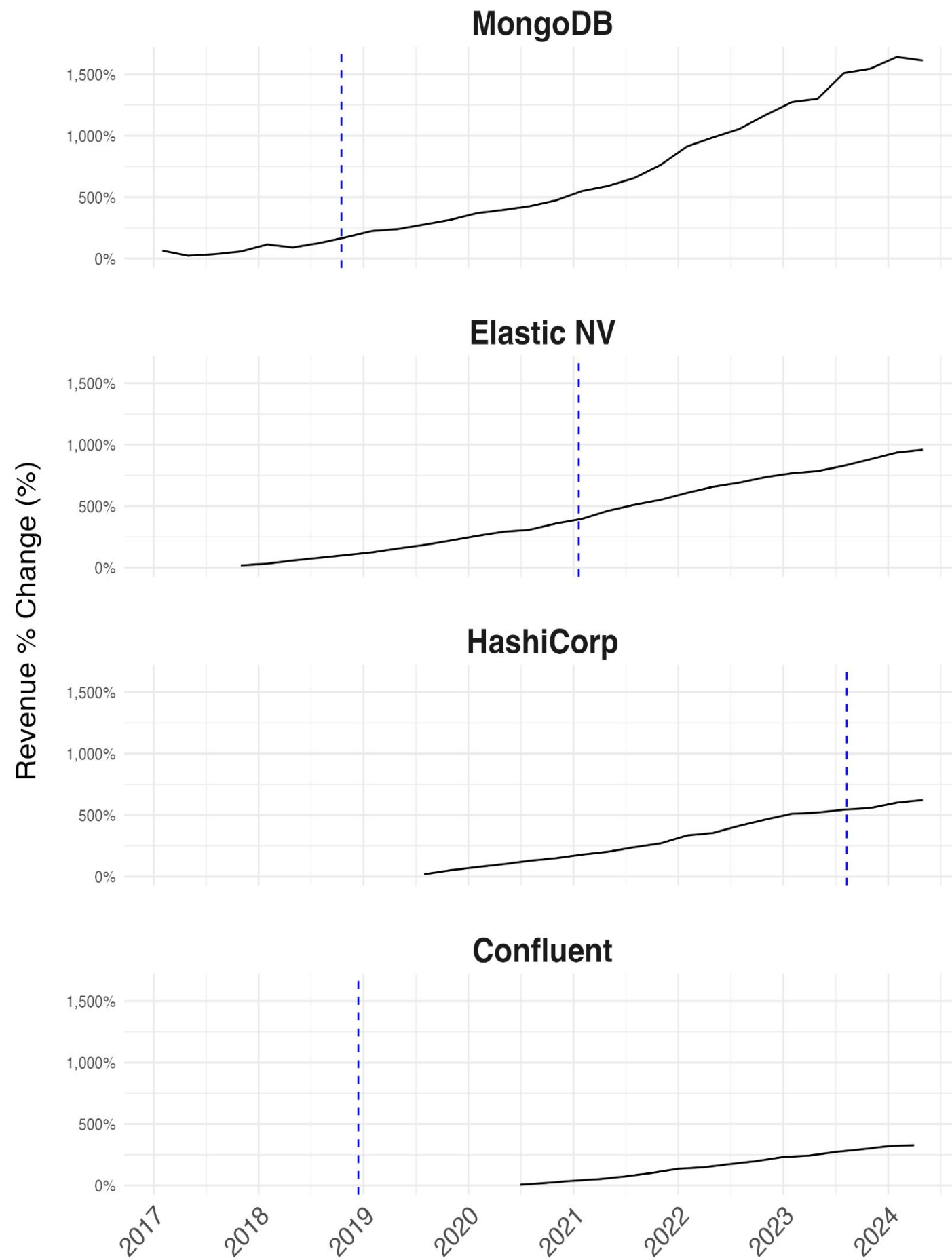




# What happens when businesses change from **open source** to **proprietary** licenses?



## Revenue % Change Over Time



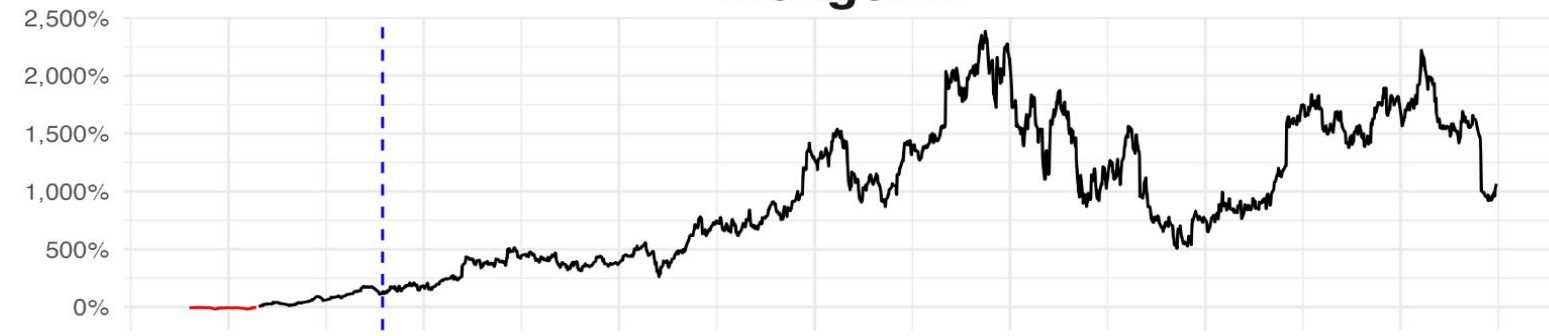
“From this data set, we see that revenue increases after the license change, but **the rate of increase is not materially different** than the rate of increase prior to the license change.”

- Rachel Stephens,  
RedMonk



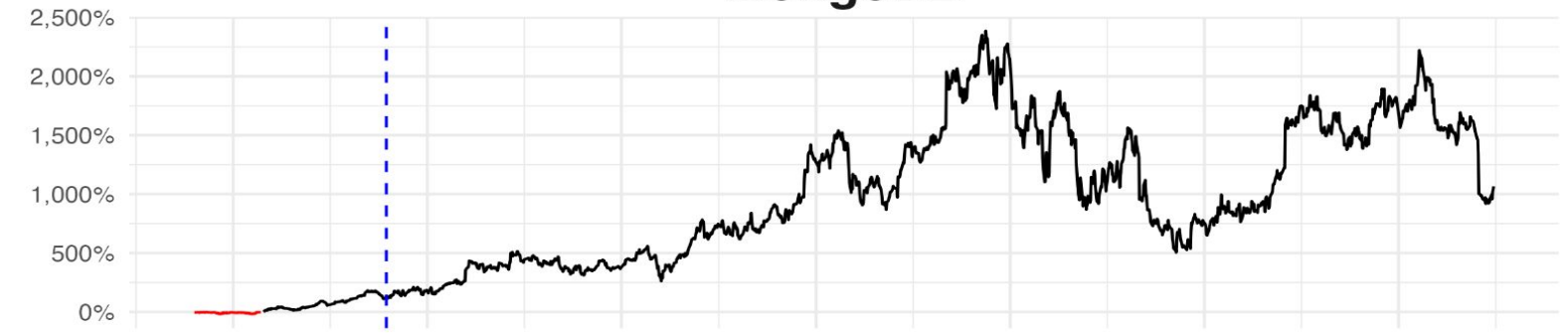
# Market Cap % Change Over Time

## MongoDB

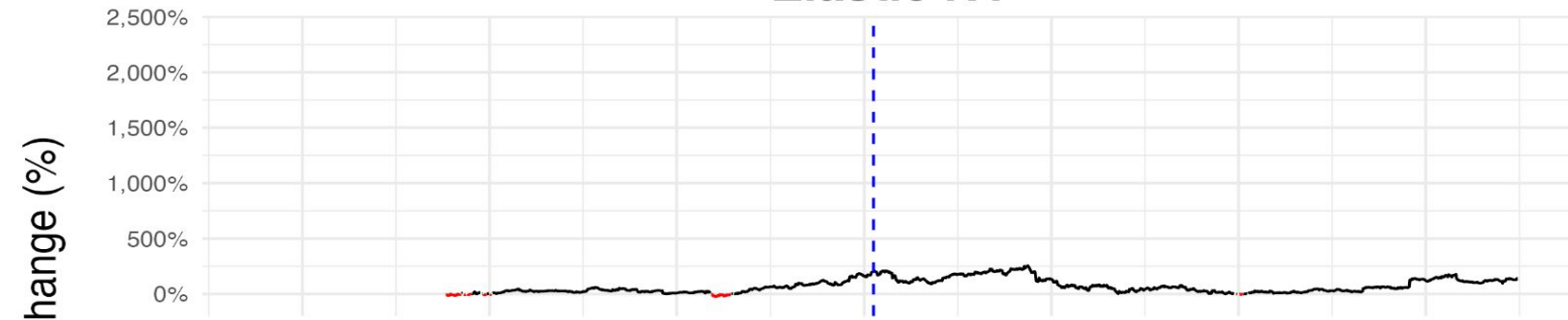


# Market Cap % Change Over Time

## MongoDB



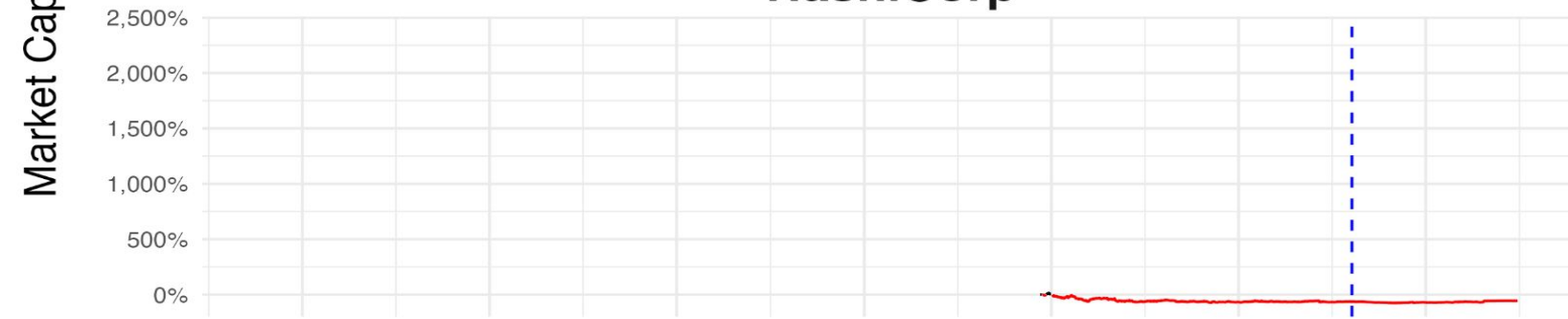
## Elastic NV



## Elastic NV



## HashiCorp



## HashiCorp



## Confluent



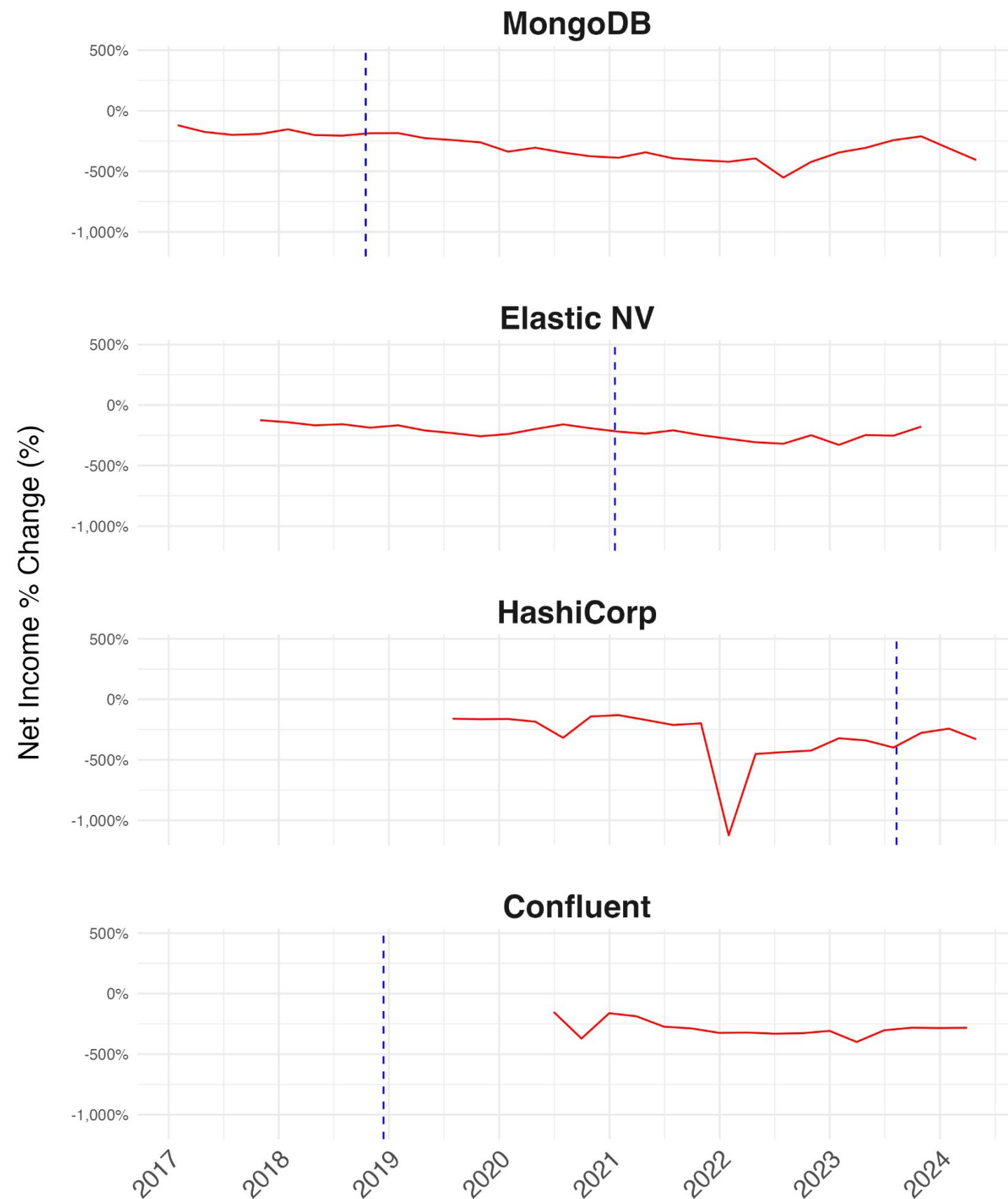
## Confluent



Market Cap % Change (Floating Axes)



## Net Income % Change Over Time



“Finally, it’s worth noting that **none of these companies are profitable yet**. This means that valuation is primarily driven by expected growth in future cash flow.”

- Rachel Stephens,  
RedMonk





Valkey





JAMES GOVERNOR'S MONKCHIPS

# Open Source Foundations Considered Helpful

By [James Governor](#) | [@monkchips](#) | September 13, 2024



In the era of the open source rug pull, the role of open source foundations is more important than ever. The “rug pull” here refers to companies that have used open source as a distribution mechanism, building a community and user base, before changing the license to be restricted, rather than truly open source. “This is capitalism, yo. We’ve got shareholders to satisfy. It’s time to relicense that software, move to a Business Source license.”.



# QUESTIONS?

