Open Source Business Guidebook

Building a Scalable OSS Based Business

Hello!

I am Matt Yonkovit

You can find me at @myonkovit

THE HOSS! (Head of Open Source Strategy & Growth) at Scarf!

Check out my podcasts : Hacking Open Source Business
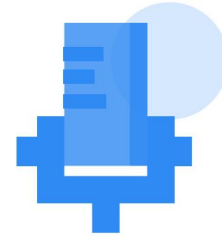Podcast, Crossing the Streams, OpenUK Podcast Host,
The HOSS talks FOSS

Mail me at matt@theyonk.com!

A word about scarf & our efforts

SCARF

HACKING
OPEN SOURCE
BUSINESS PODCAST

We help projects, maintainers, and businesses accelerate open source adoption.

OPEN SOURCE
BUSINESS METRICS:

Follow along and get more details on everything I talk about @

https://opensourcemetrics.org/

THE
GUIDEBOOK

Open Source

Is different

Unlike other businesses... you are competing with free

Example:

- **Let's assume you are selling cars**
    - You get to set the price of each car, you can control somewhat that price to increase or decrease sales as needed
    - Consumers can choose to buy your car or someone elses... or they can choose to walk or buy some cheaper transport.

Example:

- **If that car was open source**
  - You can set the price of the car... but someone can simply take the car home and not pay you or anyone.
  - Consumers can choose to buy your car or someone elses... or they can just take the open source version of the car and pay no one.

The open source car example

How does that work?

In order for people not to choose the free open source car and pay you... they need to find value above and beyond what the free version would offer.
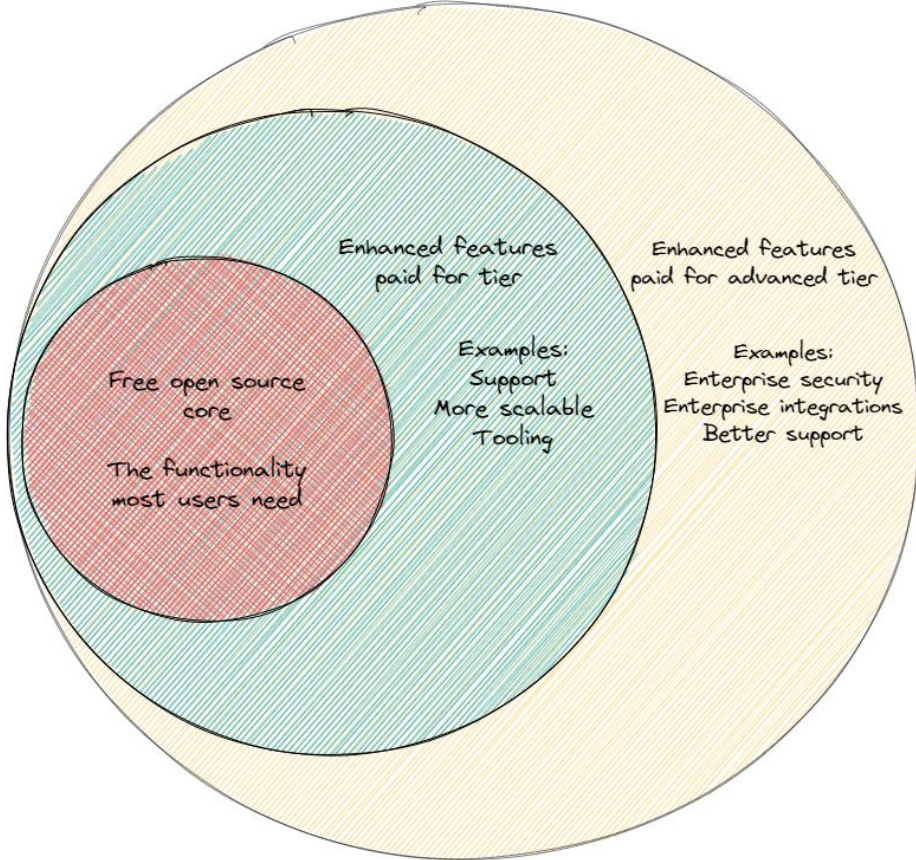
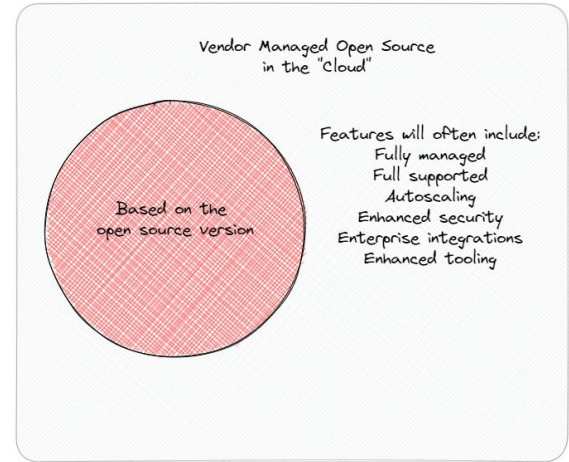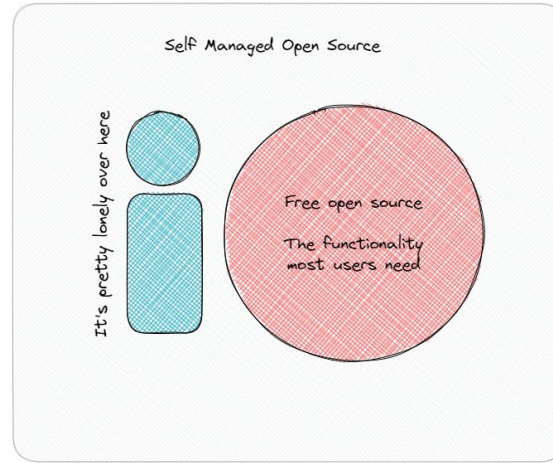# Common Open Source Business Models

Open Core

SaaS

Services

Open Core:
- **Open source version with an enterprise version.**
- **Dwindling popularity**

SaaS

- Allowing people to download and use on their own, but providing a "cloud" version is the most prevalent model now.
- There is a high level of stickiness if your service offers value
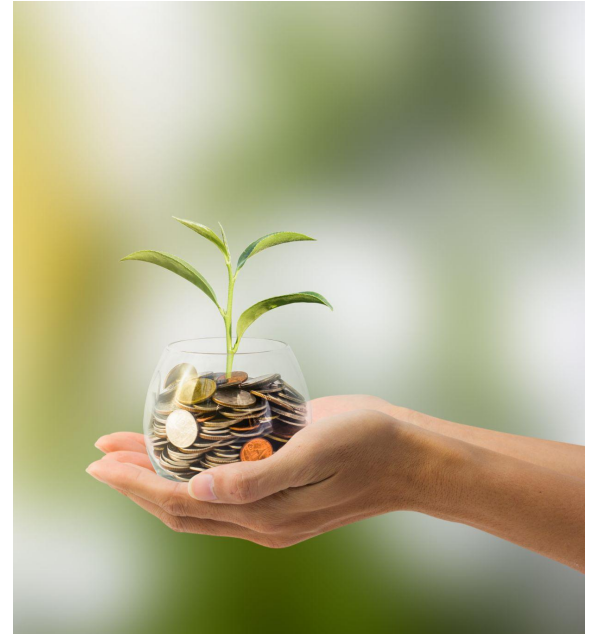- Threat that other companies may offer your open source version

Services

- **Professional services provides the shortest pathway to revenue, but its not high growth and limited to people**
- **Support is more sustainable, but is only valuable if a company is using it. Expectations are high for many companies.**
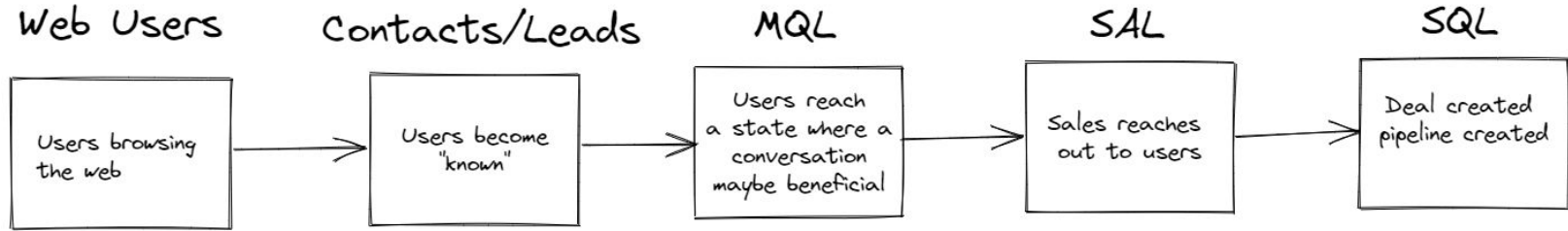- **Managed services can be profitable.**

Converting Open Source Users to Customers

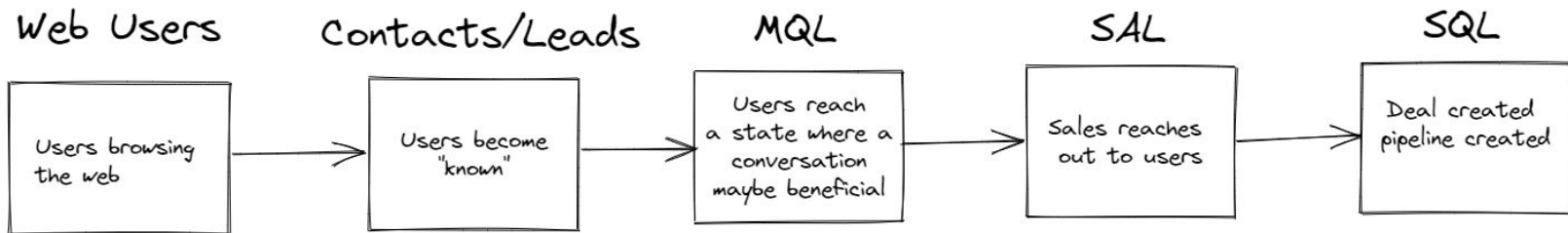# Building a customer base from the growing adoption of free users

No matter the model you choose, all the models are predicated on increasing the number of free users and then increasing the conversion rate to a paid offering (note you could try and just get people into the paid offering, but that generally still has a trial of the free associated with).

Classic Marketing Funnel:

The Open Source Funnel:

The Open Source Funnel

Web Users — Users browsing the web

Contacts/Leads — Users become "known"

MQL — Users reach a state where a conversation maybe beneficial

SAL — Sales reaches out to users

SQL — Deal created pipeline created

Interested users

Users who download & try the OSS

Those who use the OSS version in prod
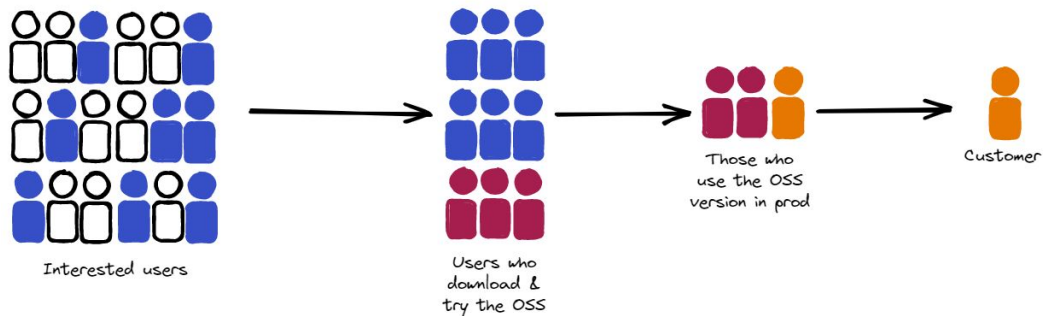
Customer

Interest phase   Trial phase   Usage phase   Customer phase

The "product lead growth" flywheel
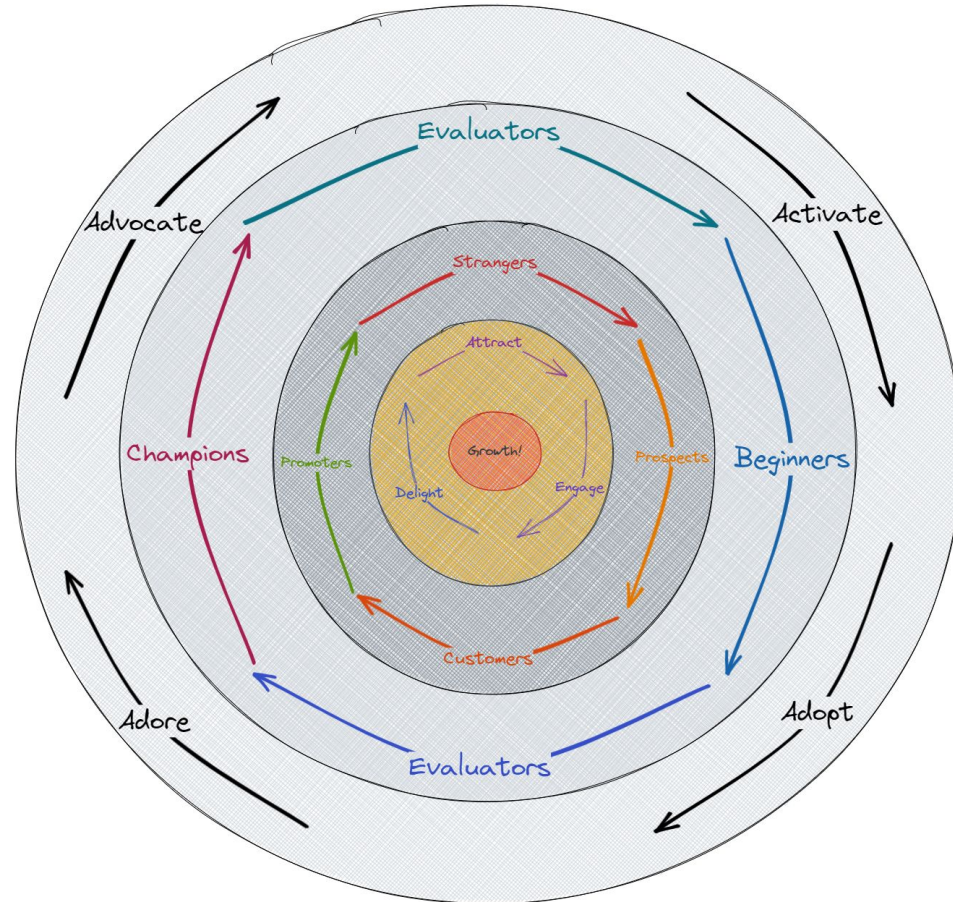
Product Growth Flywheel

The open source "product lead growth" flywheel

Open Source Product Growth Flywheel
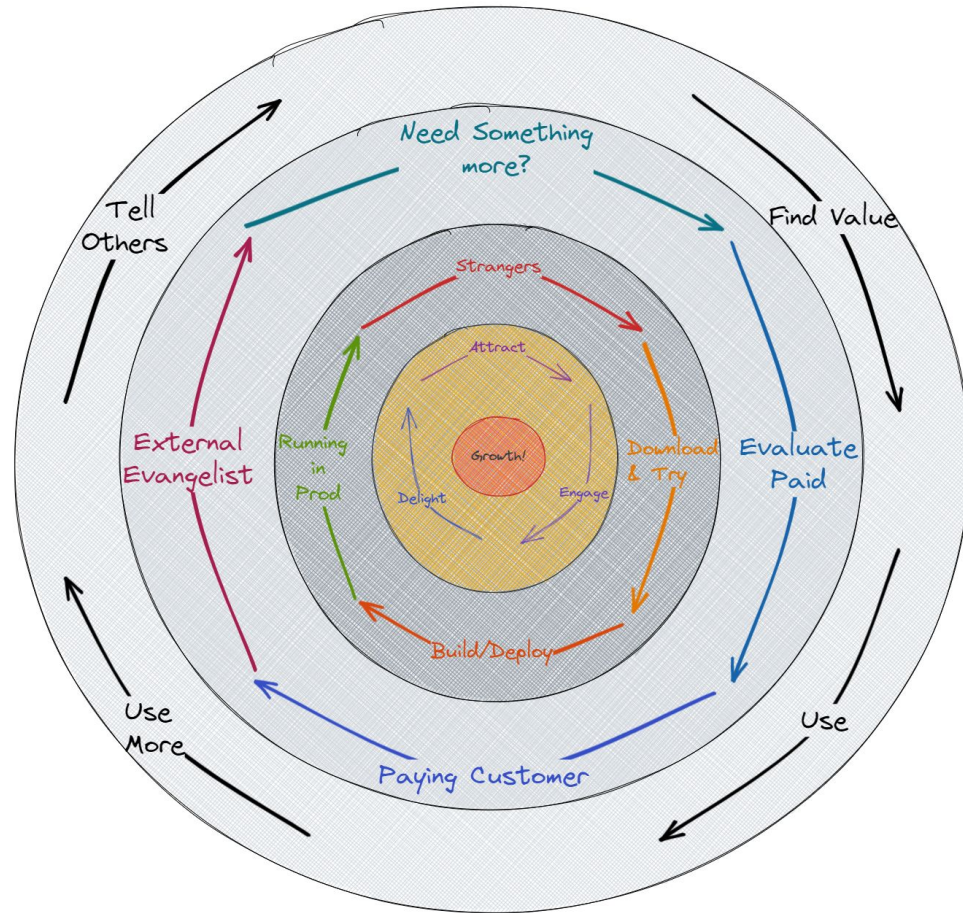
Product Growth Flywheel
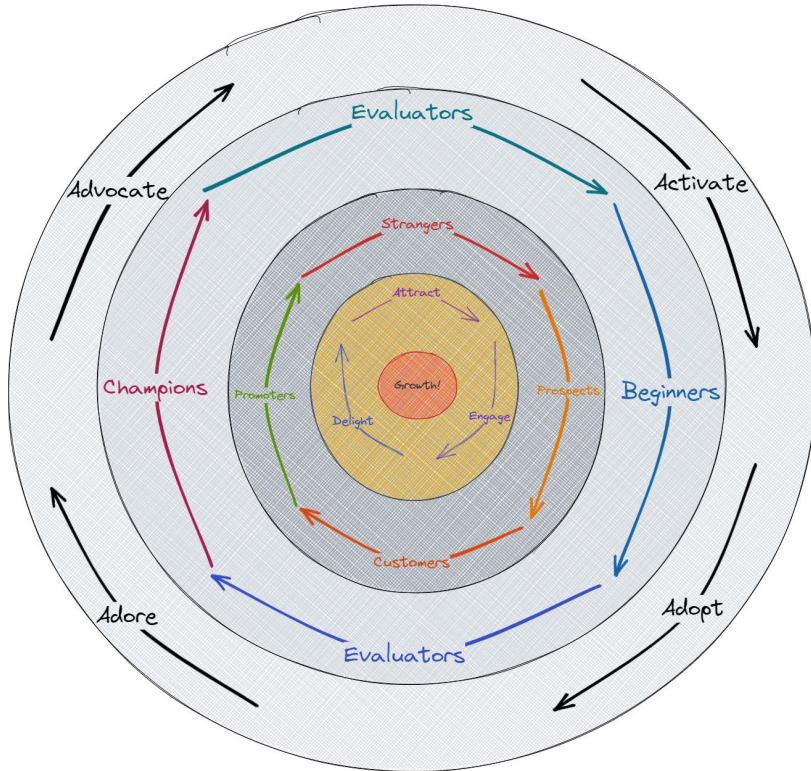
Open Source Product Growth Flywheel
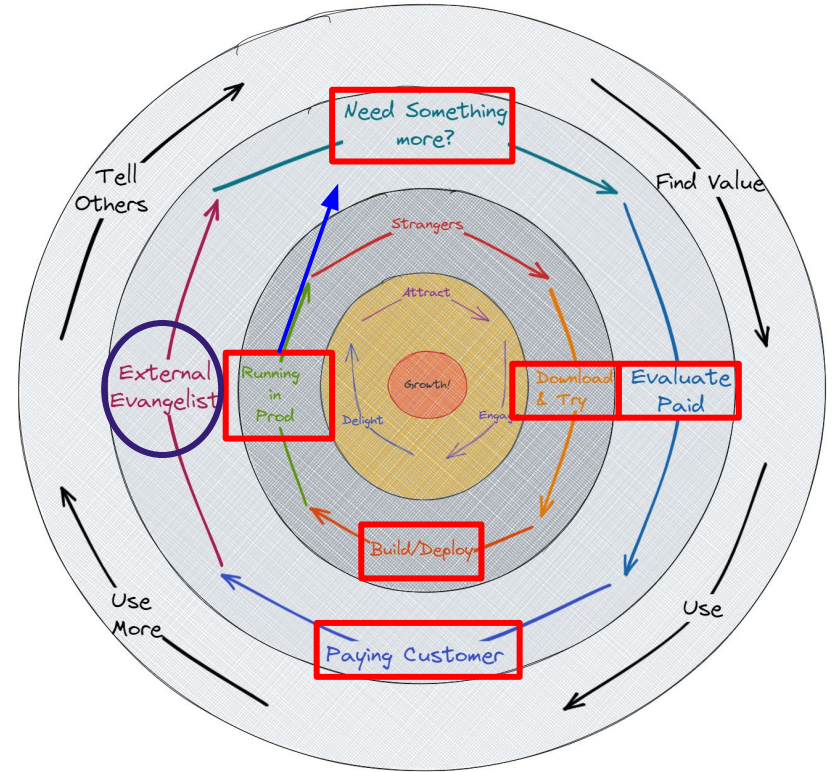
Evangelists!

Business Expectations for Evangelists

Influencer Evangelist

Followers

Those who watch

Those who try

Interested people | People Who try (Potential Customers) | Customers
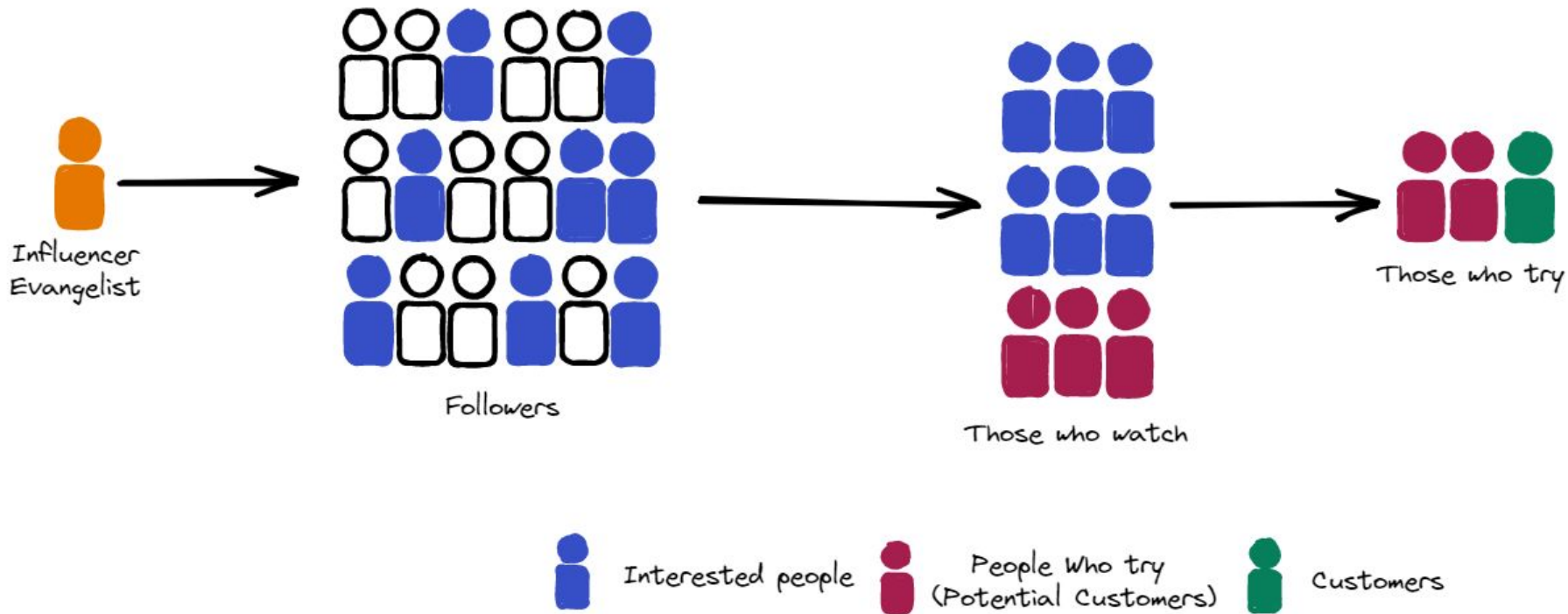
More evangelists = More Customers?
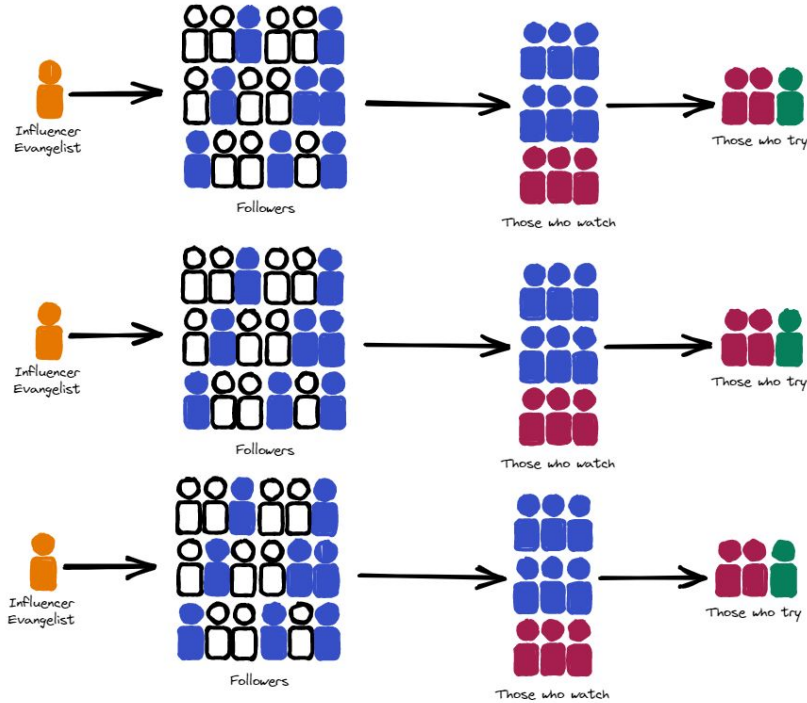
You want your evangelists to create new ones
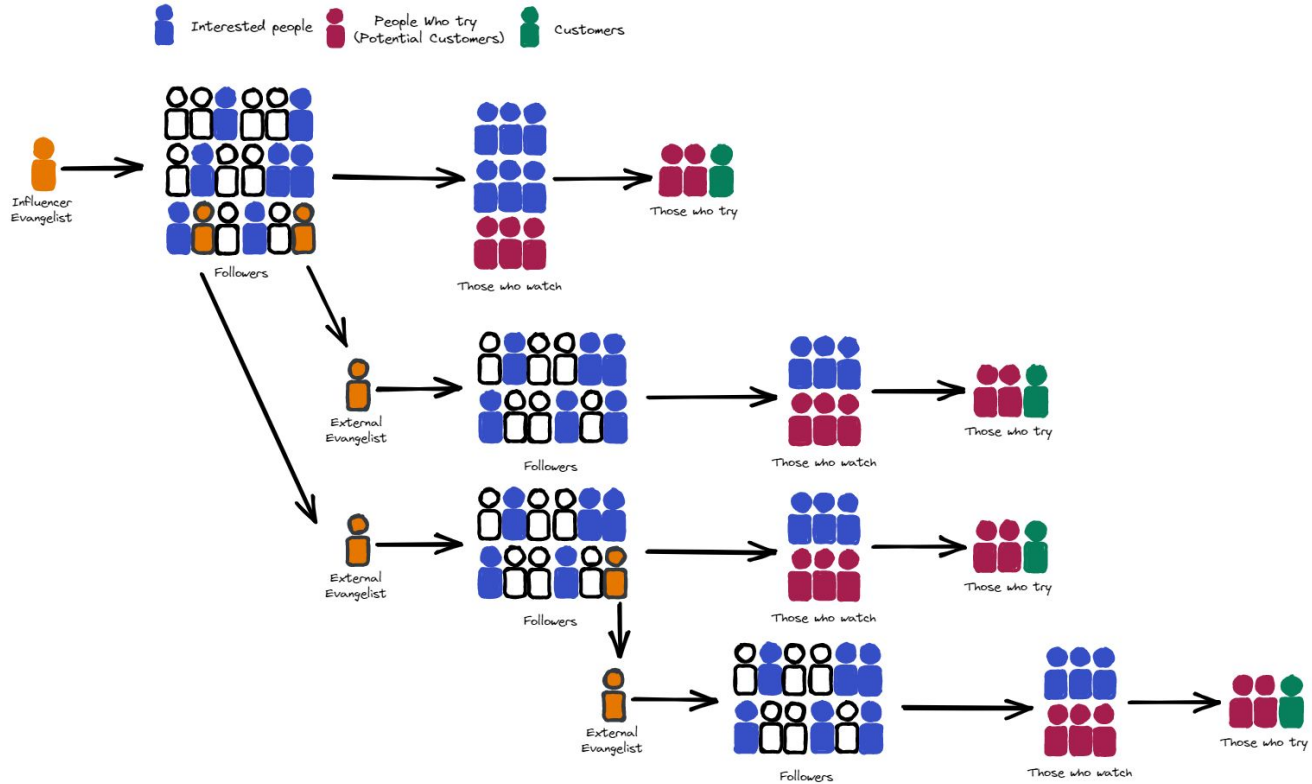
Driving Open Source Adoption

Top 3

Requirements for open source adoption

The secret to success:

- **Kick ass product that meets a need**
- **Awareness (People to know who you are)**
- **Make it easier then the alternative**

Obvious and easy right?

How do you build a kick ass product?

This is more than I have time for, but briefly

Product Key 1: Understanding

- **What can your product do better than anyone else?**
  - Are people willing to pay for this?
- **Why you over the alternative?**
- **What do you consider success?**
- **Who will use this product?**
  - Who would pay for this product?
- **Where are those users most likely to be?**
  - Where are those potential customers likely to be?
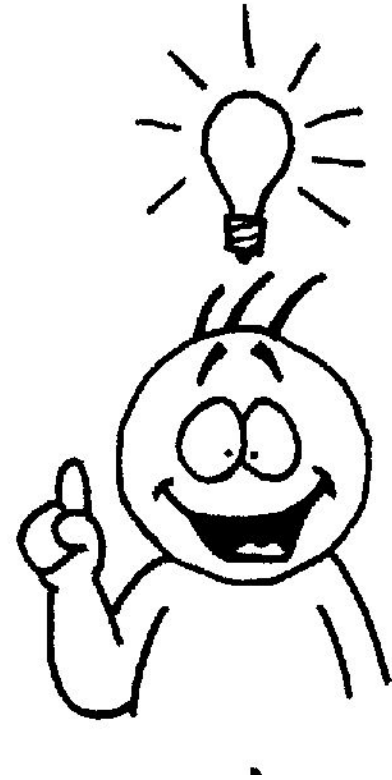
Product Key 2: Listen and ask questions

- **Product success is only viable with users, and user feedback needs to be listened to**
- **Founders and maintainers often make the mistake of assuming their users think and have the same experiences and skills sets as them.**

Product Key 3: Set a goal, and focus on it

- **Be consistent in striving for your vision, and know when to say no!**
- **Projects that deviate to early or too often from their core purpose often struggle from their purpose and that can limit adoption**
- **Strive for being really good at a few things early**

Product Key 5: Has to meet or exceed expectations

What are the key ingredients (or table stakes of your product)

- **Do the job it was intended to do**

- **Meet minimum standards:**
  - It has to be secure
  - Has to protect from data loss
  - Has to be as bug free as possible

A cell phone that plays game and music is great, but if it can't send messages or call people its not longer a cell phone

Product Key 4: UI/UX

- **A bad user experience can ruin the benefits you provide**

- **Github is littered with good ideas, that are impossible to use, don't add your project to these.**

- **Make easy for new users to get started, and advanced users to get down into the weeds**

- **Including plans for and fostering a strong community from the get go is critical**

- **But, but, but... you have examples like Curl...**
  - Look beyond code
  - Search for "curl" and how many examples, tutorials, etc
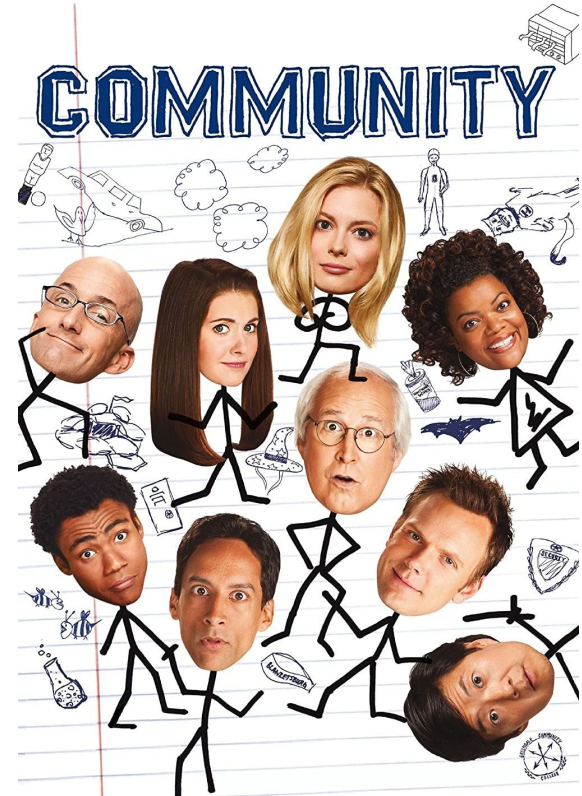
How do you supercharge awareness

Community

The great hope for open source adoption

Adoption is a balance between many functions and groups. But community is often looked at as the driver for adoption.

Business Expectations for Evangelists

Influencer Evangelist

Followers

Those who watch

Those who try

Interested people

People who try (Potential Customers)

Customers

The Multi-Faceted Community/DevRel

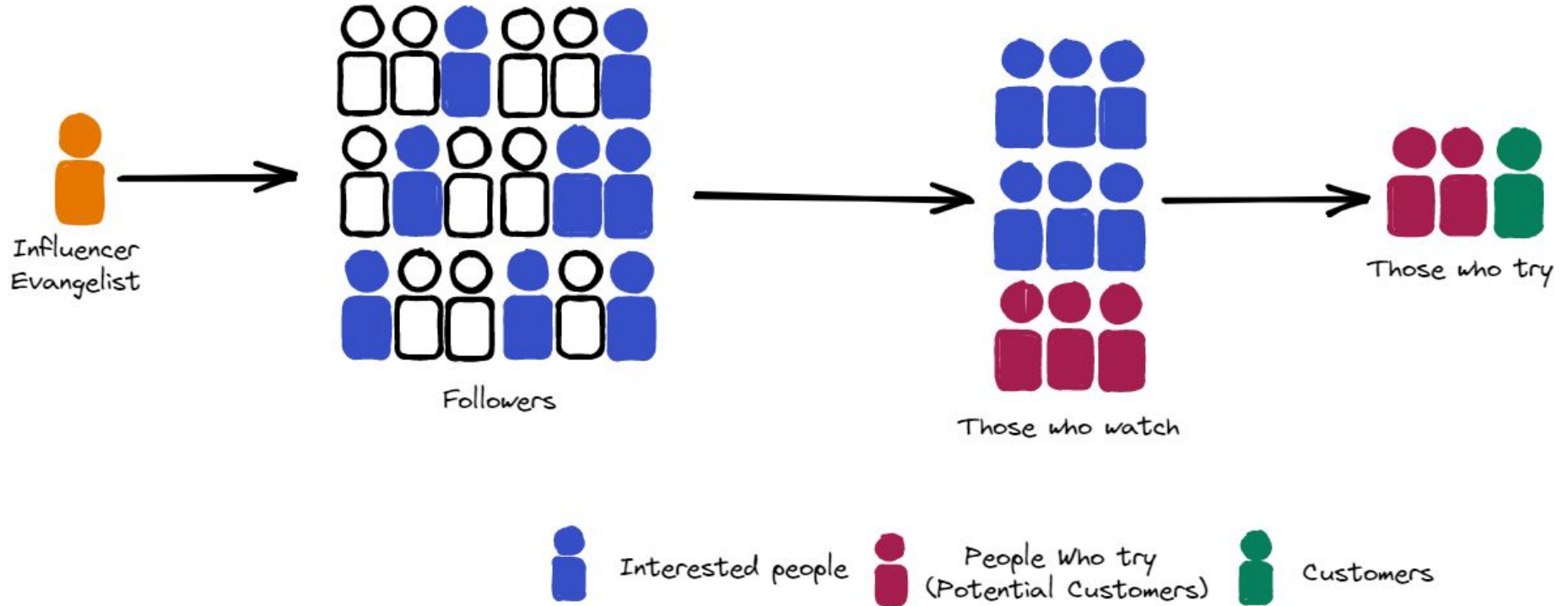| Evangelism/DevRel	Community Mgmt	OSPO/Contributors
Podcasts	Get Speakers at conferences	Own and manage contributor processes
Meetups	Manage community website/content	Make it easier to get started contributing code, content, etc
Speaking @ Conferences	Manage Swag, Review, social programs	Find and cultivate contributors
Blogs	Process and handle sponsorships	Ensure internal teams are contributing and working with contributors
Example Code	Promote speakers, content, partner activities	Optimize and tune contributor process
Software How-tos	Collect & report on metrics	Work with compliance
External articles, thought leadership, etc	Manage external speakers	Budgeting/Programs

What are some of the popular ways to grow awareness & OSS Adoption?

- **CONTENT, CONTENT, CONTENT**
  - Relevant content
  - Blogs
  - Conference Talks
- **Tutorials, sample apps, and whatnot**
- **Newsjacking**
- **Friends telling Friends**
- **Good messaging and positioning**
- **Easy to get started and configured software**
- **Testimonials and external evangelists**
- **Social engagement**

How to make it easier

Collaboration

You need a solid easy product, and a good community content strategy that work together like a well choreographed dance

How do you track open source usage & adoption?

Metrics

To track follow your funnel or flywheel

Awareness
Usage
Conversion
Customer
Retention

Awareness

- **Tracking the number of GitHub or GitLab stars**
- **Website traffic and digital presence**
- **Unique views**
- **Engagement with documentation, tutorials, and guides**
- **Referrals**
- **Share of voice**
- **Social reach**

Usage

- **Raw downloads**
- **Scrubbed unique downloads**
- **Enhanced download metrics with metadata**
- **Net new users/companies**
- **Signups**
- **Redownloads or multiple downloads over time**
- **Users still active 90 days after their first install**
- **Companies and organizations using the software for more than six months**
- **Company downloads accompanied by GitHub repo activity and issues**
- **Call home telemetry: Instances/installs running at a company**

Conversion

- **Page, docs, or source-to-download conversion ratios**
- **Docs views from those who have already downloaded**
- **User-to-customer ratio**
- **Activities customers did before becoming a customer**

Customers

- **Standard Business Metrics**
  - # of customers
  - ARR/MRR
  - New Logos/Customers
  - There is more, but I will hold off
- **User to Customer Ratio**
- **Customers who also are using Open Source/Free versions**
- **Customer Advocates**

Retention and Churn

- **Churn Rate**
- **Instance and/or user churn**
- **Net Retention**
  - Expansion + customer revenue -losses
- **Competitive analysis**
  - Looking at who your customers contributing to

Open Source Adoption ≠ Commercial Success

COMMUNITY & DEVREL

- Active Contributors
- Code Contributions: PRs, Bugs, etc
- Slack Users
- Github Stars
- Posts, Questions
- Events Attended
- # of blogs, talks, etc
- Likes, follow, shares

How do you link these?

BUSINESS SIDE SALES, MARKETING

- # of Customers
- ARR/MRR
- Churn
- Expansion
- CAC
- LTV
- Net New
- NPS
- Share of Voice

Conversion

Free to Paid Users

What helps Convert Free to Paid Users?

- **Product**
  - Better features
  - Better security
  - Support (the insurance)
  - Zero Ops
  - Automation
- **Policy**
  - Companies often will require support
  - Companies may also have specific compliance requirements
- **People**
  - People switching jobs often cause software to be reevaluated

# Recap!

Important Points

- **Not all open source businesses are the same**
- **Build an awesome product!**
  - Kick ass product that meets a need
  - Awareness (People to know who you are)
  - Make it easier then the alternative
- **Focus on the funnel**
  - Awareness
  - Open source adoption
  - Happy users
  - Paying customers
- **Measure it!**

Welcome to the home page of the Open Source Business Metrics community!

Here you will find a list of recommended metrics to track and measure commercial open source projects and businesses. Feel free to read the guide, submit resources, or share the links. Have a look around and feel free to drop us a comment or idea we would love to hear from you.

This site is Open Source, join us on GitHub!

Read The Full Guide Now!

OPEN SOURCE BUSINESS METRICS:

THE GUIDEBOOK
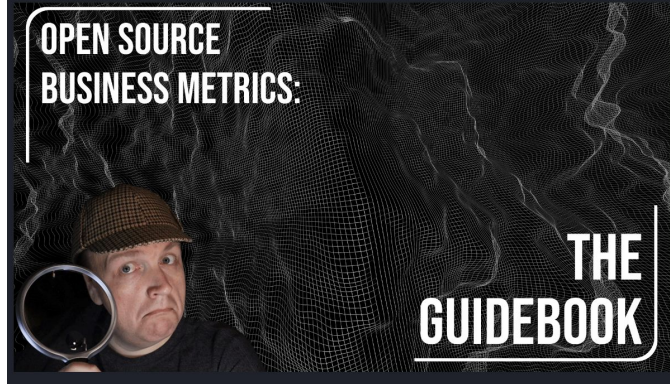
Check out opensourcemetrics.org for more details!

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