Starting an Open Source Startup

Learnings from svix and other OSS startups

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About this talk

- Directed at early stage startups
  - Or people thinking about starting one
- With an open source product
  - Or considering open sourcing

What is an early stage startup?

- Early stage company
- Designed to grow fast
- Often VC backed (not a must)
- Aiming for very high revenue

A capitalistic endeavor

Who am I?

- Founder and CEO of Svix
- Creator of EteSync
- Obsessed with API, developer tools, and software
- Open source dev and maintainer (Enlightenment, OpenMoko, etc.)

Svix — Webhooks as a Service

- An API first developer tool
- Help companies send webhooks
- Open core and hosted product
- Raised over $10m from top investors
  - Funds: Y Combinator, a16z, and Aleph
  - Founders and CTOs of:
    Github, PagerDuty, Segment, Lookout, and Fly.io

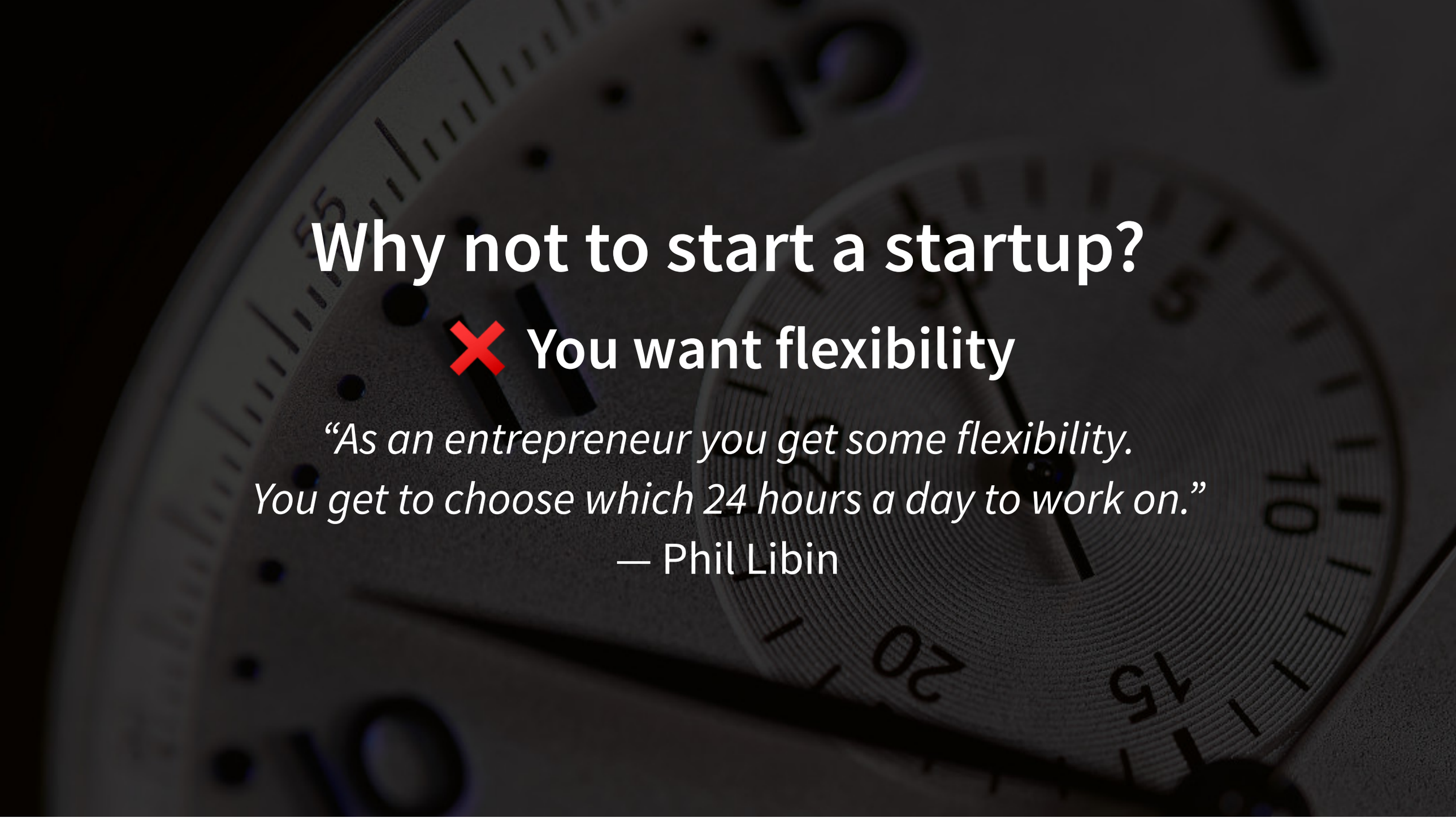
Why give this talk?

- Although there are a lot of resources for startups
- There aren't a lot of resources for OSS startups
- People have been asking me for advice
  - Many recurring themes and mistakes
- Unique perspective as an OSS developer and founder

Why start a startup?

Why not to start a startup?
❌ Stratups are cool

Why not to start a startup?
❌ You want to be the boss



Why not to start a startup?

❌ You want flexibility

“As an entrepreneur you get some flexibility.
You get to choose which 24 hours a day to work on.”
— Phil Libin

Why not to start a startup?
❌ You want to have more impact

Why not to start a startup?
❌ You want to get rich $$$

Just know it's going to be brutal…

- Things are going to go wrong
- Deals are going to fall through
- Better get used to hearing "no"
- Want to quit? Harder as a founder

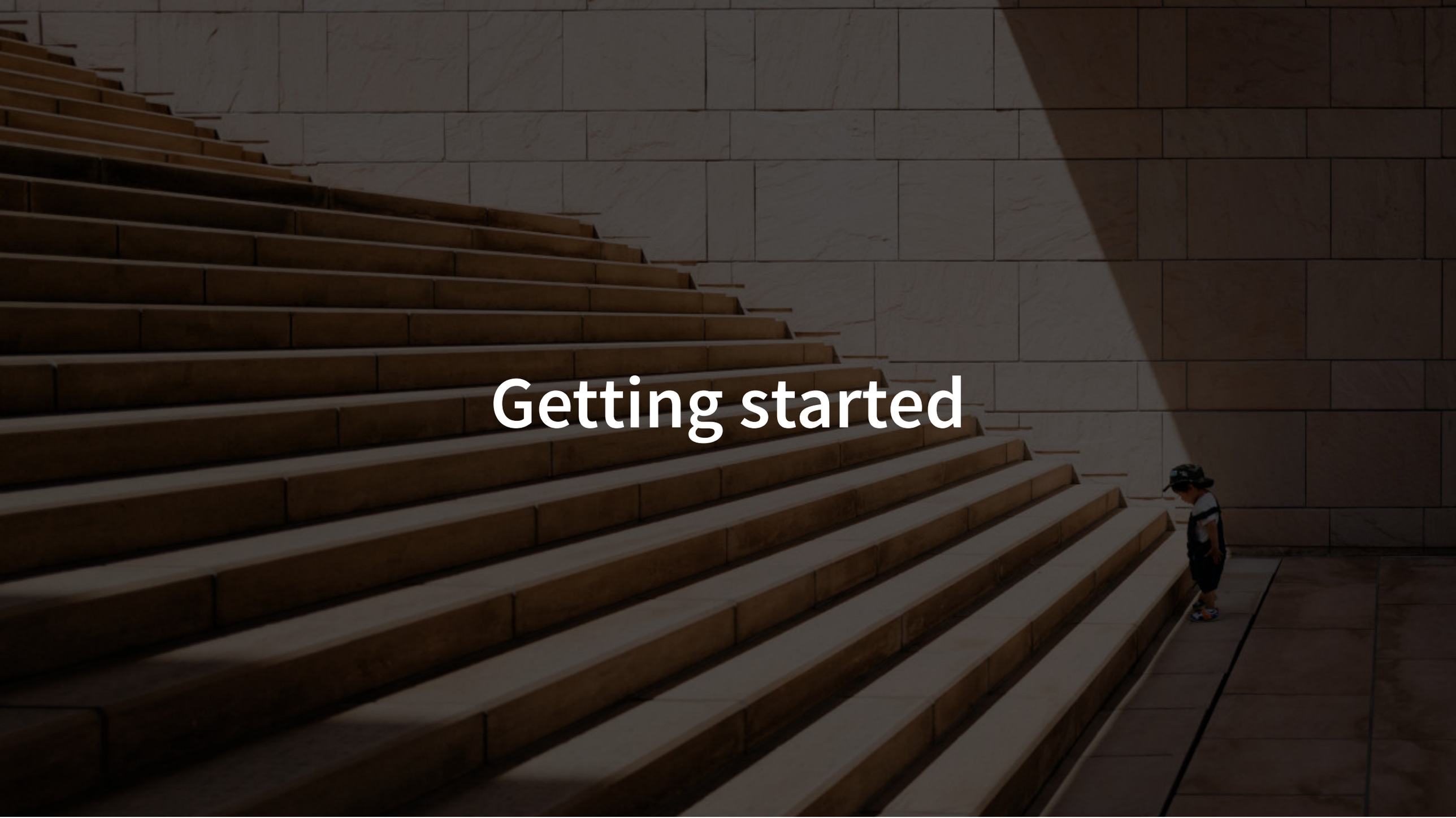
Why start a startup?
✓ You can't not do it

FLOSS startups are good for open source

- More money and talent into OSS
- More great OSS products, more credibility to ecosystem
- We all get great products that we can rely on
- Tend to support the rest of the community
  - We financially support projects, and contribute upstream
  - Have OSS maintainers on staff (Svix: maintainer of redis-rs)

There are other alternatives

- Join a promising startup
- Start a non VC backed business
- Start a side business
- Start an open source project
- etc.



Getting started

Validating your idea

- Is this a problem people care about?
- Are you the right team?
- How will you make money?
- How will you get customers?
- How big is the opportunity?
- Constantly validate your assumptions
- Fill in the Y Combinator application (no need to submit)

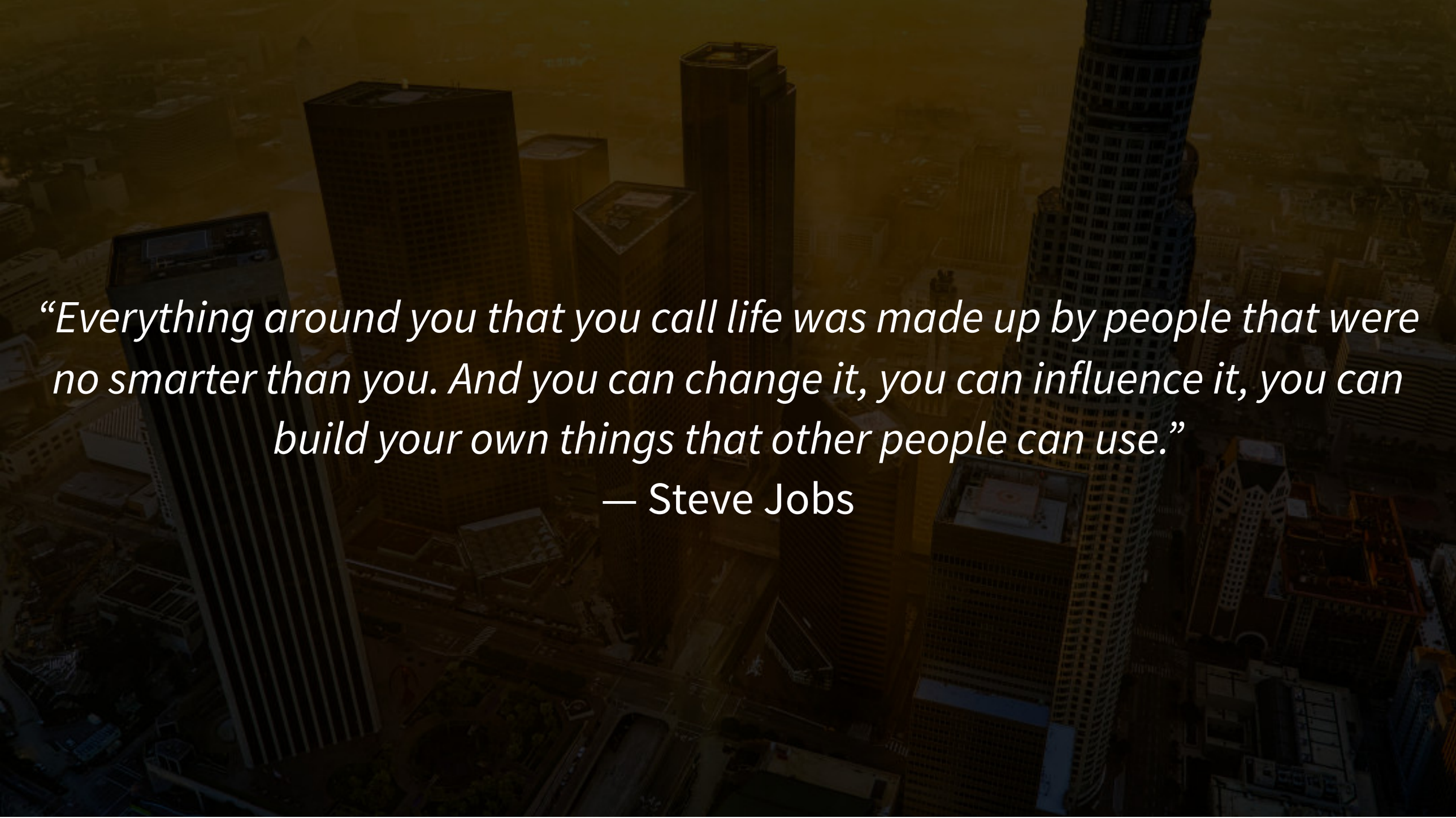
Common threads of bad ideas

- Very obvious, so why doesn't it exist?
- Solution searching for a problem
- You don't know the space or can't build the product
  - Bad founder-idea fit
- Not a signal: people telling you it's bad

“Everything should be open source,
but not every open source should be a business.”
— Paul Copplestone, Co-founder & CEO at Supabase

Make something people want

- Write code – talk to users
- Release early, release often
- Few who ❤️ > many who like
- Find the 90 / 10 solution
- Do things that don't scale



“Everything around you that you call life was made up by people that were no smarter than you. And you can change it, you can influence it, you can build your own things that other people can use.”

— Steve Jobs

Before you start

- Ignore the naysayers, but be honest with yourself
- Effort counts for nothing, only results matter
- De-risk the business by testing assumptions
- Listen to advice, but decide for yourself
- Average input → average output

Let's talk about the product...

Understand the Problem

Know your customers

- What do they want?
- What do they care about?
- What would they hate?
- Have the curiosity of a child.

“If I asked people what they wanted, they would have asked for a faster horse.”

— Henry Ford

It's not what you do,
it's what you enable

Your whole company is your product

“Your whole company is your product.”
— James Hawkins, Co-founder & CEO at PostHog

Your whole company is your product

“As developers we typically think only about the code of our libraries, frameworks, or open source projects. Unfortunately, writing great code is not enough to build a great open source project. My advice is to spend 2x more time on marketing than engineering. An awesome website and a well-explained README is more important than you think.”

— Zeno Rocha, Co-founder & CEO at Resend / Dracula theme

Have a great customer experience

Customer service < fixing docs < fixing product

Open source community

- Maintain a healthy community
- Be quick to respond to PRs/issues
- There are tools to help, e.g: Orbit.love
- Head to the community devroom...

Remember, you're building a business...

Business models for OSS

How are you going to make money?

Services, support, and packaging

Examples: Red Hat and Canonical

Open core

Examples: Gitlab and Redis

Dual licensing

Examples: Qt and FriBiDi

Managed, cloud hosted, or SaaS

Examples: Gitlab and MongoDB

Supporting products and services

Examples: Next.js, Github and Android

Multiple models

You can combine multiple models…
Though you should know your main driver!

Open source defensibility

Open source defensibility

Open source licenses

- Copyleft: GPL, LGPL, AGPL
- Permissive: MIT, BSD, Apache
- Non-free (“*fauxpen*”): SSPL, BSL, Elastic Licnese
- Contributor License Agreement (CLA)

Open source defensibility

Own the trademark

Open source defensibility

Network effects & ecosystem

“Plans are worthless,
but planning is everything.”

Assessing the business potential

Bottoms up market analysis

Assessing the business potential

“You need a 10x bigger TAM than the closed-source competitor, because it is 10x harder to monetize the same unit.”

— Peer Richelsen, Co-founder and CEO at Cal.com

When to monetize?

“Our perspective is that delaying monetization for infrastructure open-source tooling can pay off. Getting mass adoption is a big factor to becoming successful.”

— Nicolas Hourcard, Co-founder at QuestDB

Go-to-market (getting customers)

Paying customers ARE your business!

Go-to-market (getting customers)

❌ *“If you build it, they will come.”*

Go-to-market (getting customers)

- Do things that don't scale
- Your network, friends, and family
- Focus on the easy customers first
- Have someone that loves doing it on the team
- Remember: few who ❤️ > many who like

Go-to-market (getting customers)

“Ship as early as possible.”
— Matija, Co-founder at Wasp Lang

“Learn foundational product marketing”
— Andrey, Co-founder at Nginx

“Focus on single developer adoption for your open source project even if your product will be used by teams at companies.”
— Pranay, Co-founder at Signoz

Metrics (measure your progress)

- Know how things are going
- Improve what matters
- Track and measure what's important
- Watch out for vanity metrics

Open source metrics

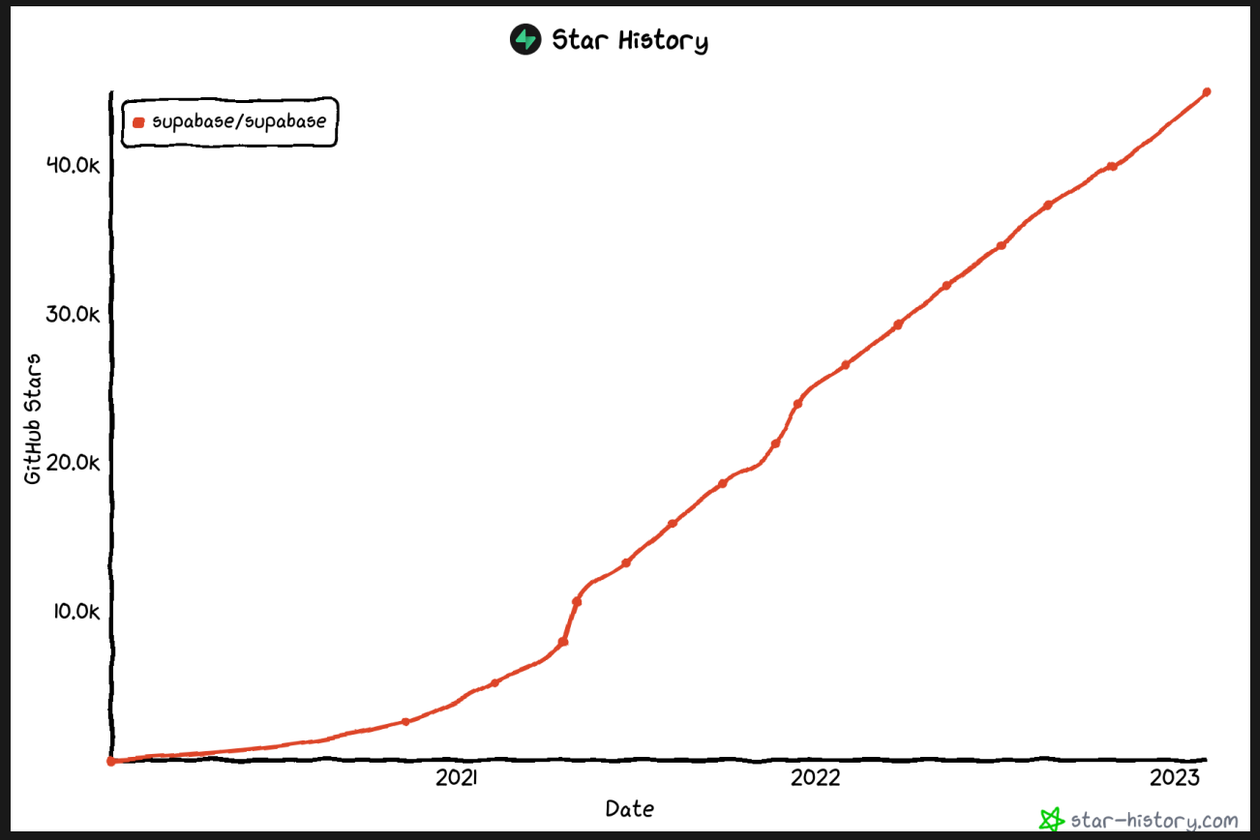
- Good:
  - Revenue
  - Number of customers using in production
- Insufficient:
  - Github stars
  - Signups
  - Downloads
  - Twitter followers

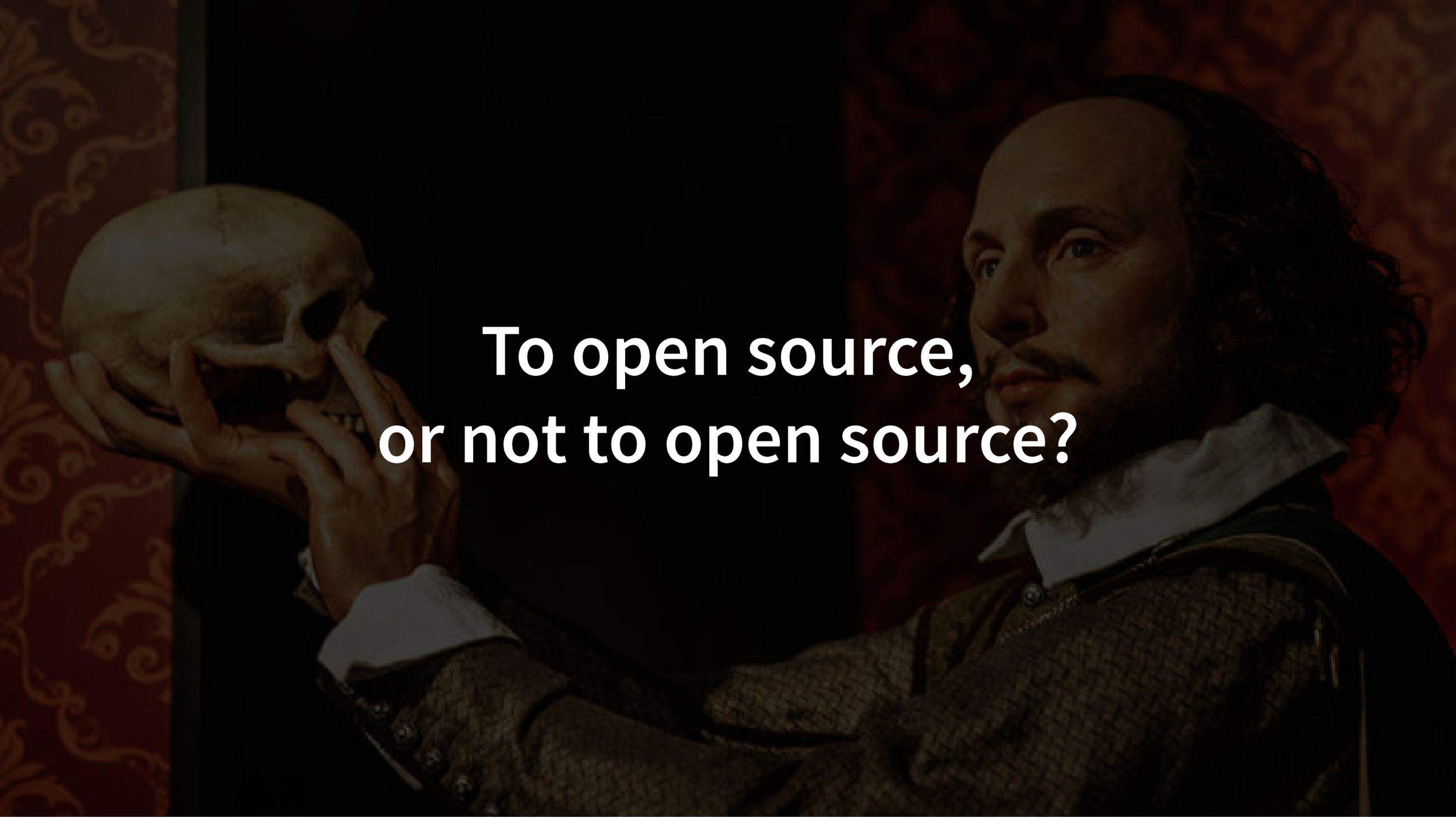
Open source metrics

Github stars don't mean you have a great business

Open source metrics

But they can definitely indicate you are on to something…




To open source,
or not to open source?

To open source, or not to open source?

- Do your customers care about OSS?
- Is there a business advantage to being OSS?
- Does it make business sense to be OSS?
- Ideology is fine, but consider business impact

Upsides for open sourcing

- Engaged community helping out
- Hiring from the community
- Increased trust between you and your customers
- Encourages good and healthy communication
- Easier adoption, especially for devtools
- The product is more flexible and extensible

📉 Downsides for open sourcing

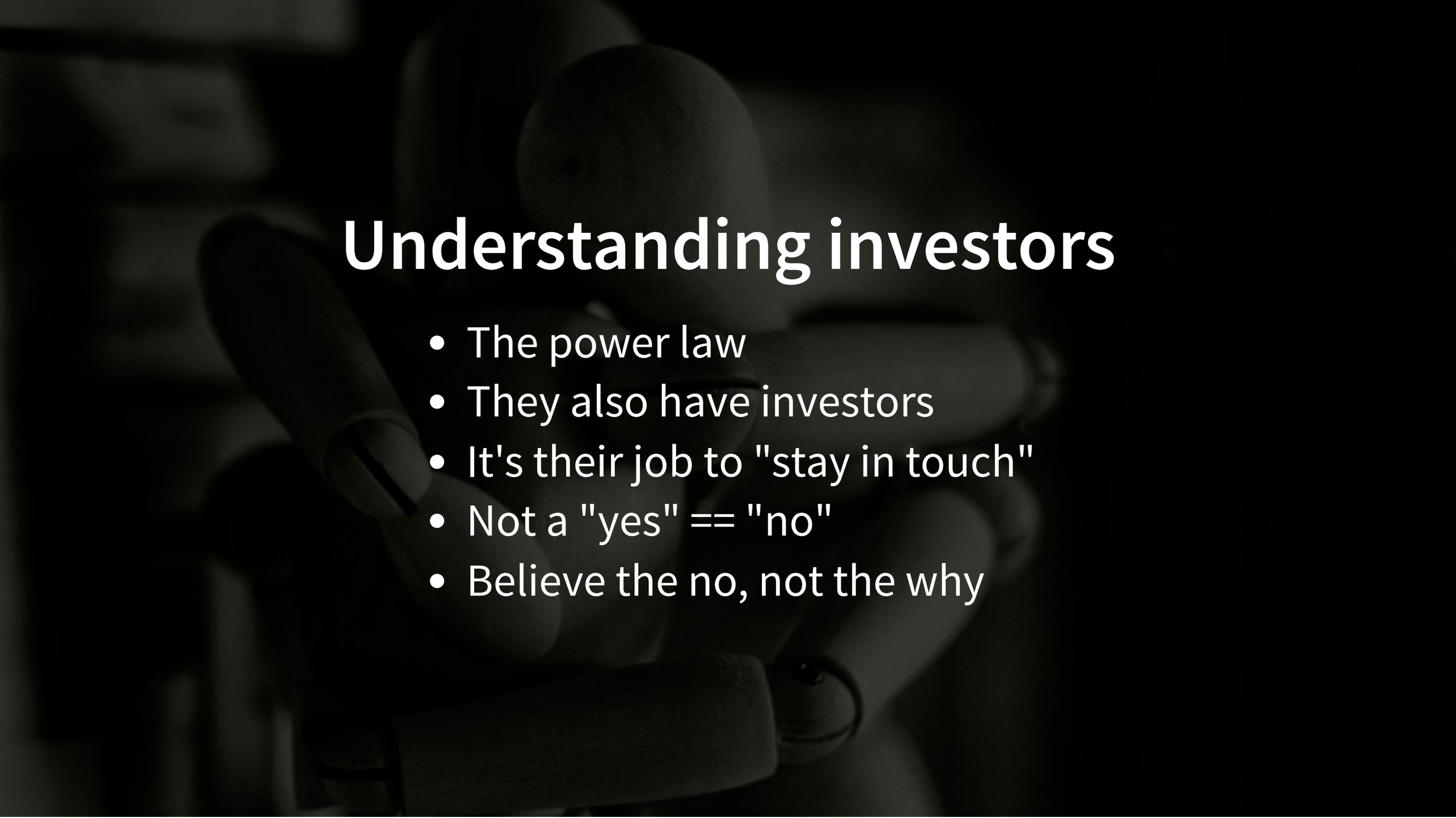
- Balancing community and business needs
- Support burden and maintainer burnout
- Harder to say no to things
- Startups win on speed, OSS is often slower
  - Enabling self-hosting is often harder
  - Maintaining two codebases is harder
- It may mean your secret sauce is public
- You are undercutting yourself on price

Downsides for open sourcing

“Don’t open source something you don’t want to commoditize. Open source is a commoditization accelerant. Embrace this, don’t resist it.”

— Joseph Jacks, Co-founder and GP at OSS Capital

Fundraising



Understanding investors

- The power law
- They also have investors
- It's their job to "stay in touch"
- Not a "yes" == "no"
- Believe the no, not the why

Have a plan

- How much are you raising?
- What do you plan on doing with the money?
- How much of the company are you selling?
- Speak to all investors at once, don't drag it on

Finding investors

- Start with angels, build momentum
- Prefer: excited by the space
- Invested in similar companies?
- Ask friends for introductions
- Don't take intros from investors who haven't invested
  - But, ask from intros from the ones who did!

Your pitch (and deck)

- Keep it short!
- Highlight what's most impressive
- Customer pitch vs. investor pitch
- They are not experts in your space
  - Use plain language, no jargon
- Know your business inside out
- Be concise, let them ask questions

The meeting

- Be calm, relax, and don't look desperate
- You are also assessing them
- Prepare by pitching to friends
- Only the CEO should go on calls

The deal

- Things that matter:
  - Simplicity (SAFE > priced)
  - Terms (pro-rata, preference)
  - Dilution and control
  - Being able to hit your goals
- Things that don't matter:
  - Amount raised (if more than what you need)
  - Valuation
- Watch our for non-standard terms

Final notes on fundraising

- You only need one yes!
- Ignore the naysayers and assholes
- Fundraising ≠ success
- Fundraising ≠ company building
- Manage expectations
- Watch out who you marry
- Where you incorporate matters

YC funds a lot of OSS startups

- Y Combinator has been transformational for us
- I would consider applying
- Even getting rejected is super helpful
  - Helps you think about the business
  - I was rejected multiple times

YC funds a lot of OSS startups

- Gitlab: The DevSecOps platform
- Docker: The world’s leading software container platform
- Supabase: The open source firebase alternative
- PostHog: Open source product analytics
- Mattermost: Secure collaboration for technical teams
- Airbyte: The leading open-source ELT platform
- QuestDB: Fast open source time-series database
- Wasmer: The Operating System for Edge Computing

YC funds a lot of OSS startups

- SigNoz: Open source alternative to DataDog, NewRelic
- Firezone: open-source alternative to clunky corporate VPNs
- Wasp-lang: Develop full-stack web apps without boilerplate
- Medplum: API-First Electronic Health Record (EHR)
- Nango: Open-source unified API
- Ploomber: data science open-source framework
- Windmill: turn any script into invincible workflows
- Trigger.dev: Zapier for developers
- Resend: Email API for developers

Beware of the siren's song

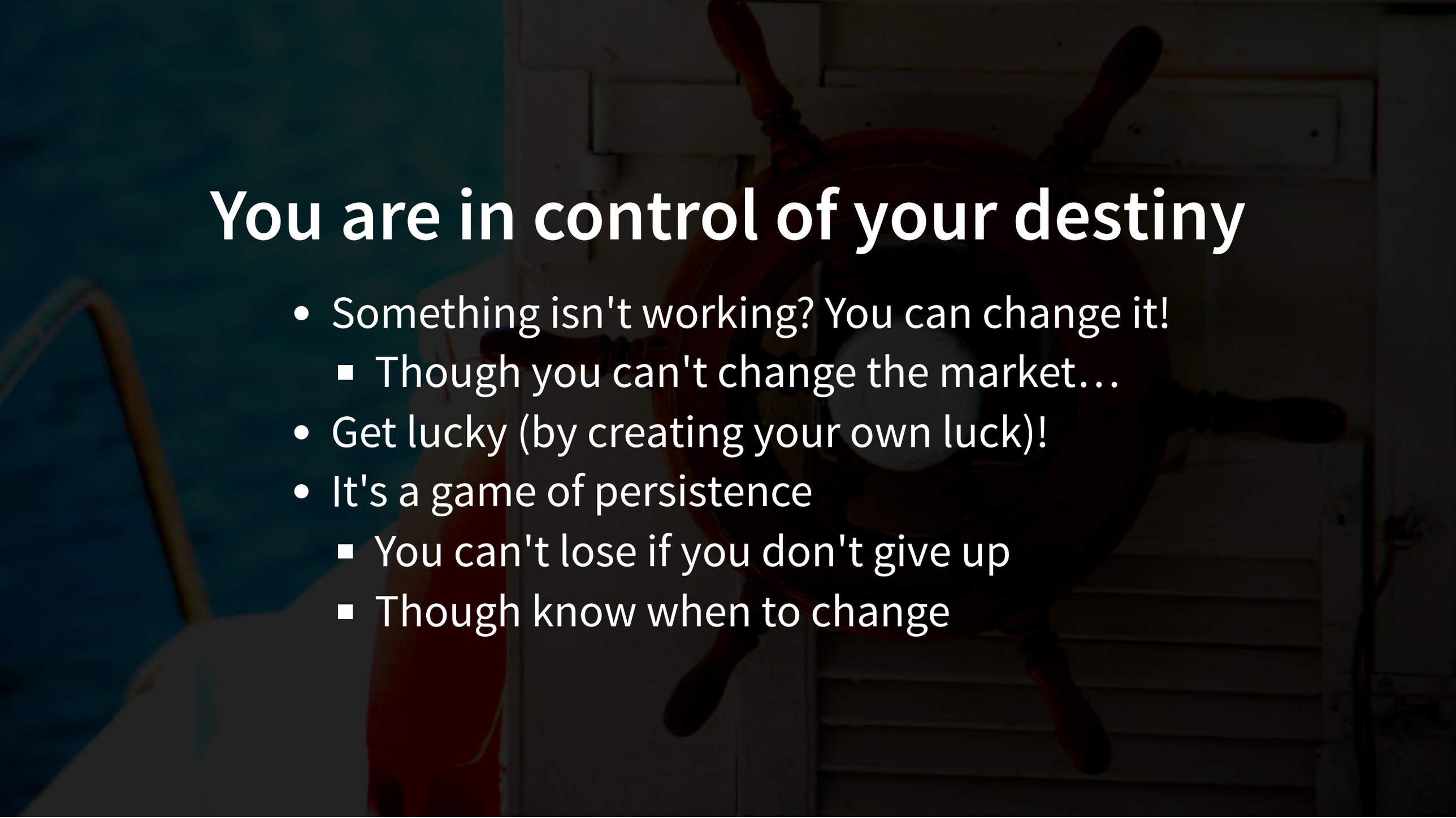
- Fundraising / valuation / money raised ≠ success
- Bigger team ≠ success
- Playing startup ≠ building a company
- You haven't "made it", don't lose focus!

Lessons I learned the hard way

- You're no longer an engineer
- Opportunities aren't gonna last forever
- The age of innocence is over
- Be mindful and protective of your time
- Surround yourself with optimists

Working with people

- Team:
  - Early team sets the tone
  - Bad hires can derail things
  - Hiring takes time, nurture hires now
- Co-founders:
  - Great co-founders make the difference
  - Agree in advance on roles and expectations
  - Better no co-founder than a bad one



You are in control of your destiny

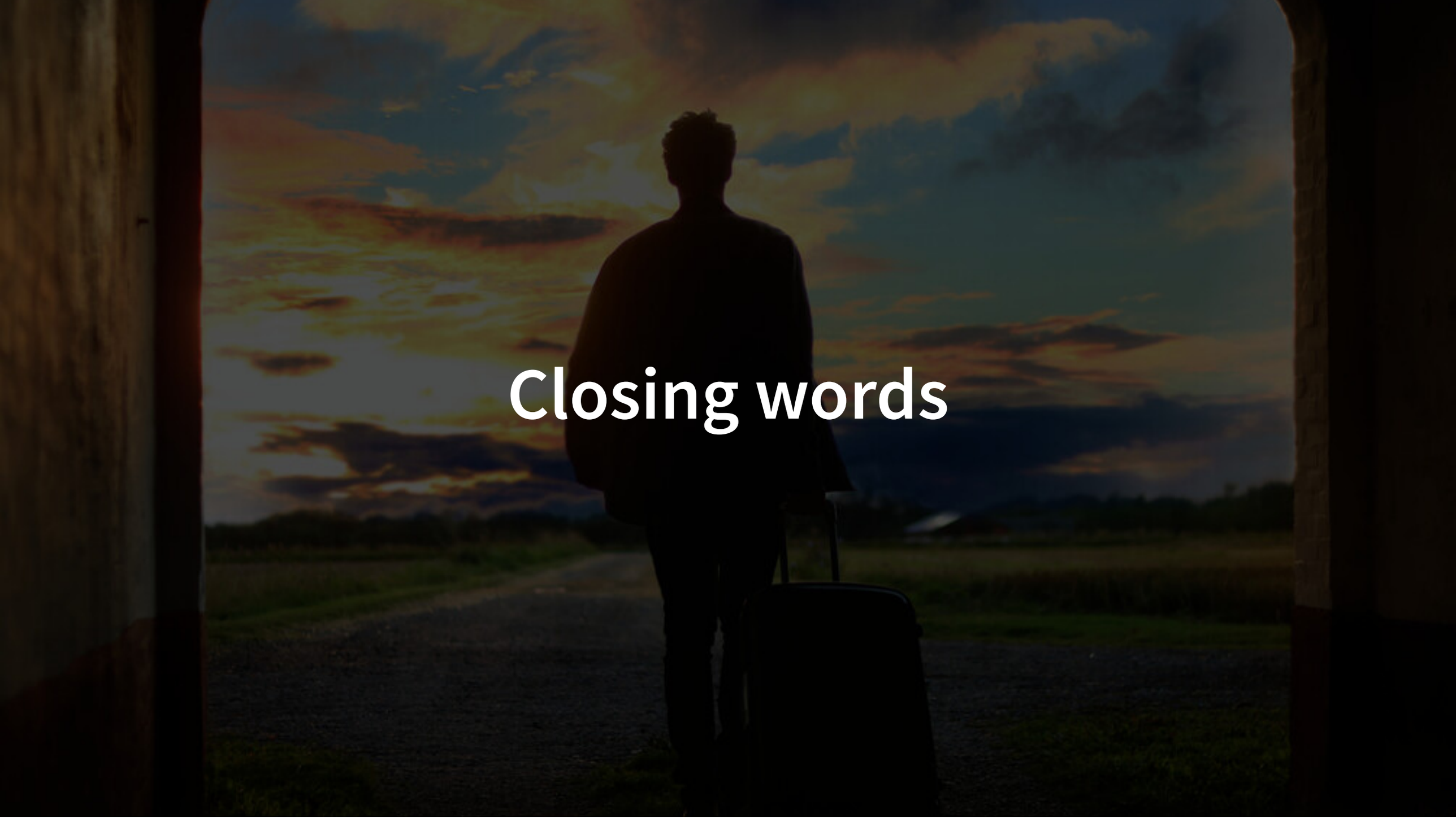
- Something isn't working? You can change it!
  - Though you can't change the market…
- Get lucky (by creating your own luck)!
- It's a game of persistence
  - You can't lose if you don't give up
  - Though know when to change

Additional advice

- Don't think "hiring X" will fix everything
- Don't think "customer X" will fix everything
- Don't think "investor X" will fix everything
- Everything is sales! Customers, candidates, investors…
  - So you better get good at it!

Sources of great advice

- YC's YouTube channel
- YC Library: https://www.ycombinator.com/library
- Marc Andreessen blog: https://pmarchive.com/
- Startup classics: the mom test, the lean startup, etc.
- Many of great resources out there


Closing words

One more thing: always be selling

It's your job to be the #1 evangelist

One more thing: always be selling

It's your job to be the #1 evangelist

- Need help with your webhooks?
- Want to work at a fast growing startup?
- Come talk to me about svix

Questions?

- Something missing? Tweet at @TomHacohen
- Starting a cool startup and think I can help? tasn@stosb.com
- For webhooks, check out svix at www.svix.com

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