



## Commercial Open Source Business Models

In the age of hyper-clouds, GitLab bets on buyer-based open core.

# About me



**Emilie Schario**

Data Engineer, Analytics

GitLab

**@emilieschario**



---

GitLab is a  
Commercial Open Source Software Company  
(COSS)

# GitLab is the first single application for the entire DevOps lifecycle



Manage



Plan



Create



Verify



Package



Secure



Release



Configure



Monitor



Defend

Since 2016	Since 2011	Since 2011	Since 2012	Since 2016	Since 2017	Since 2016	Since 2018	Since 2016	Coming soon:
Cycle Analytics	Kanban Boards	Source Code Management	Continuous Integration (CI)	Container Registry	SAST	Continuous Delivery (CD)	Auto DevOps	Metrics	Runtime Application Security
DevOps Score	Project Management	Code Review	Code Quality	Maven Repository	DAST	Release Orchestration	Kubernetes Configuration	Logging	IDS/IPS
Audit Management	Agile Portfolio Management	Wiki	Performance Testing	<b>Coming soon:</b>	Dependency Scanning	Pages	ChatOps	Cluster Monitoring	Honeypots
Authentication and Authorization	Service Desk	Snippets	<b>Coming soon:</b>	NPM Registry	Container Scanning	Review Apps	<b>Coming soon:</b>	<b>Coming soon:</b>	Storage Security
<b>Coming soon:</b>	<b>Coming soon:</b>	<b>Coming soon:</b>	System Testing	Rubygem Registry	License Management	Incremental Rollout	Serverless	Tracing	SIEM
Code Analytics	Value Stream Management	Design Management	Usability Testing	Linux Package Registry	<b>Coming soon:</b>	Feature Flags	PaaS	Error Tracking	Data loss prevention
Workflow Policies	Requirements Management	Live Coding	Accessibility Testing	Helm Chart Registry	Web Application Firewall (WAF)	<b>Coming soon:</b>	Chaos Engineering	Production Monitoring	Cyber Threat Hunting
	Quality Management		Compatibility Testing	Dependency Proxy	RASP	Binary Authorization	Runbook Configuration	Incident Management	UEBA
							Cluster Cost Optimization	Status Page	

# GitLab by the numbers



## COMPANY

- Incorporated in 2014
- 500 employees

## BROAD ADOPTION

- Millions of users
- 100,000+ organizations
- Over 550,000 paid users
- Open source model
- 2,200+ code contributors
- 10,000+ total contributors

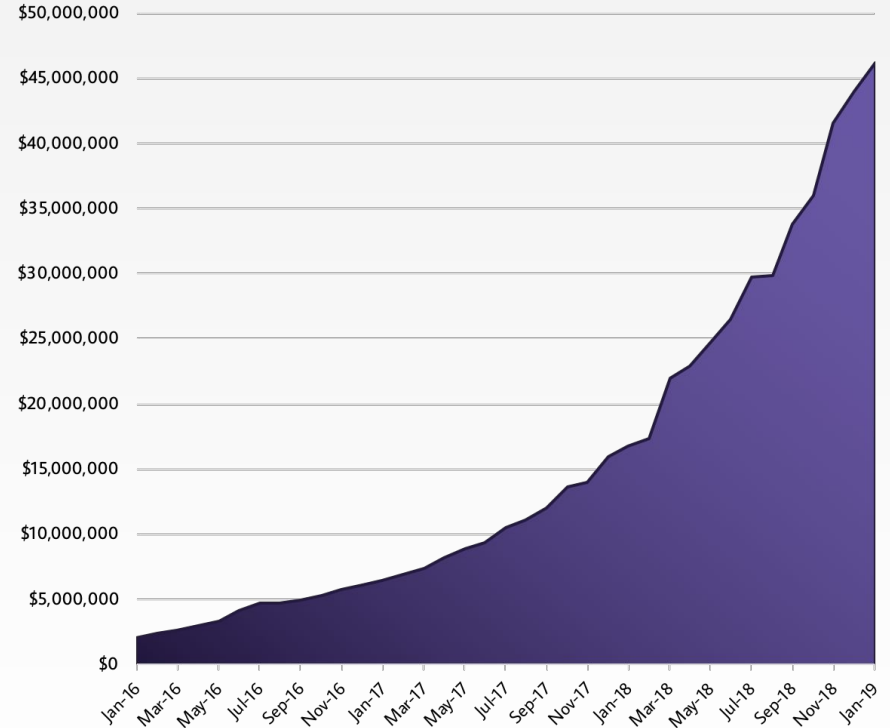


## STRONG BUSINESS

- ARR (Dec '18): \$44M
- ARR Growth Rate: 177%
- Capital Raised: \$158M
- Capital Spent: \$26M



## Exit Annual Recurring Revenue



# Leading enterprises are making large commitments to GitLab





---

The biggest challenge COSS face today is  
how to deal with the hyper clouds

# The hyper clouds are service-wrapping COSS projects



## COSS



## OSS



## AWS



## Azure



## GCP







# COSS reaction: Non-compete licenses



Confluent Community License



Server Side Public License (SSPL)




Elastic License



Commons Clause, later renamed to the  
Redis Source Available License (RSAL)

# The community's reaction to non-compete licenses



 **Chris Aniszczyk** @cra  
Following

give me a fucking break: "the original concept of open source has to be fixed because it isn't suitable anymore to the modern era where cloud companies use their monopoly power to adopt any successful open source project without contributing anything to it"

9:41 AM - 19 Feb 2019

46 Retweets 180 Likes


21 46 180

 **Bryan Cantrill** @bcantrill  
Following

Open source confronts its midlife crisis: [dtrace.org/blogs/bmc/2018](https://dtrace.org/blogs/bmc/2018) ... ht: @adamhjk @rhatr @sograde

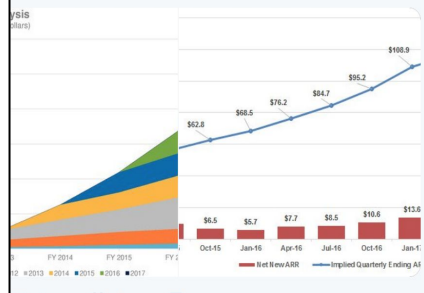
10:51 PM - 14 Dec 2018

201 Retweets 419 Likes

 **Salil Deshpande** @salil · 15 Dec 2018  
Replying to @bcantrill @adamhjk and 2 others

"The underlying problem is not the licensing, it's that these companies don't know how to make money."

O S-1 Breakdown (before license changes)  
[@alexclayton/...](https://medium.com/@alexclayton/)



Quarter	Revenue (\$M)
Oct-15	\$6.6
Jan-16	\$6.7
Apr-16	\$7.7
Jul-16	\$8.5
Oct-16	\$10.6
Jan-17	\$13.8

1 5

## The Commons Clause will destroy open source

Published 2018-08-22 on [Drew DeVault's blog](#) — [Permalink](#)

An alarmist title, I know, but it's true. If the [Commons clause](#) were to be adopted by all open source projects, they would cease to be open source<sup>1</sup>, and therefore the Commons clause is trying to destroy open source. When this first appeared I spoke out about it in discussion threads around the net, but didn't think anyone would take it seriously. Well, yesterday, some parts of Redis [became proprietary software](#).



**Adam Jacob** @adamhjk · 15 Dec 2018

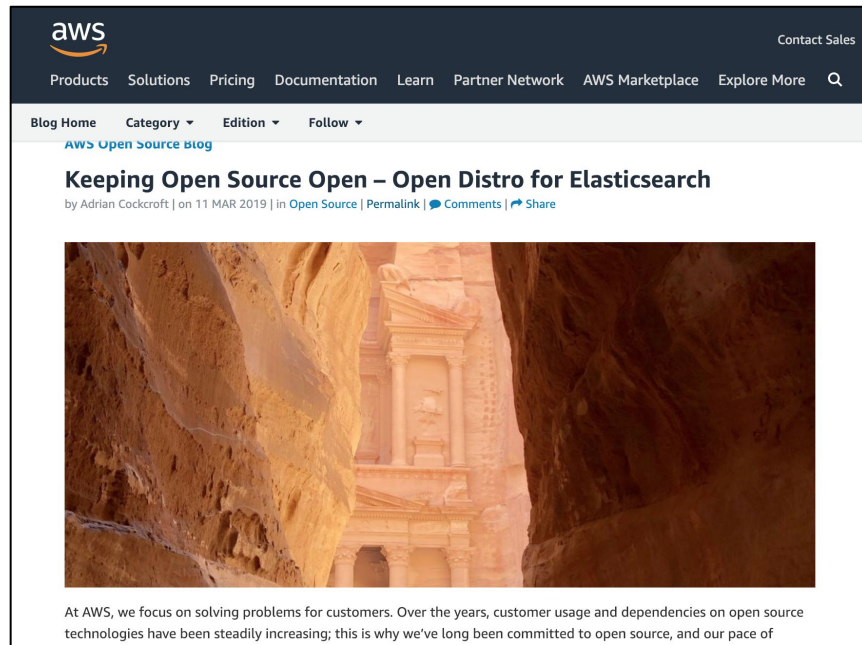
Precisely. MongoDB didn't need this change, except it greased the skids for acquiring their biggest competitor, and gave leverage. It was to goose that growth rate! Not a heroic copyleft extension for the little guy. Though I'm sure that was part of it.

1 2 2



# Cloud counter reaction: fork and commoditize

- AWS launches open distro for Elasticsearch



*[Read the full story](#)*

# How to be more resistant to fork and commoditize



More likely to be commoditized	Less likely to be commoditized
A single use case is either completely open source or completely proprietary	Many use cases have some proprietary functionality
Few proprietary features	Many proprietary features
Interaction through the API	Interaction through the user interface
Price sensitive buyers	Price insensitive buyers
Users frequently contribute to open source	Users rarely contribute to open source



---





# Finding our Business Model



# Business Models We Considered

- Donations - ice cream money
- Consultancy - perverse incentive
- Paid development - coordination, waiting
- Support - perverse incentive
- Packaging - hinders adoption
- Data - still new, data sparse tech
- SaaS only - self-managed more popular
- Single Tenant Service - very complex
- Hardware - didn't try
- ICO - no longer available
- Open core - 90% + margin



- Based on SDLC Stage  Want adoption across stages
- Based on Company size  Small companies sometimes need all
- Based on DevSecOps Maturity  Starting ones sometimes want everything
- Based on Buyer  Works really well

# GitLab pricing tiers (based on buyer)



<i>Self Managed</i>	Core	Starter	Premium	Ultimate
<i>GitLab.com</i>	Free	Bronze	Silver	Gold
Per user per month	\$0	\$4	\$19	\$99
Likely Buyer	Individual Contributors	Managers	Directors	Executives
Helps with	Entire DevOps lifecycle	Prioritization, Automation	Advanced Kubernetes management, Progressive delivery, Availability	Value streams, Risk, Compliance, Security, Governance
Sales model	Free	Self-serve	Inside sales	Enterprise sales
Sales cycle	No sales	60 days	90 days	120+ days





- Buyer-based open core is where **certain features are in paid tiers**. The persona that would like to buy them determines what tier they go in
- The order of increasing **cost/tiers is based on the buyer** (Individual Contributors -> Managers -> Directors -> Executives) since people higher up have more budget
- Three paid tiers, the classic: good, better, best
- 5x price difference between each tier
- 25x price difference between the lowest & highest prices tier, hybrid sales strategy

# Why buyer-based open core is more resistant to fork and commoditize



Less likely to be commoditized	Buyer-based open core
Many use cases have some proprietary functionality	Most use cases have functionality relevant to the executives while almost none are unique to the executives
Many proprietary features	Executives have complex needs which results in a large number of proprietary features
Interaction through the user interface	Executives are more likely to prefer the user interface over of the API than individual contributors
Price insensitive buyers	Executives are less price sensitive than individual contributors (who frequently need a free product)
Users rarely contribute to open source	Executives are less likely to contribute to open source than individual contributors

## *Recap :*

- *GitLab is a Commercial Open Source Company (COSS)*
- *COSS face a unique challenge from service-wrapping*
- *GitLab's business model is buyer-based open core*
- ***Buyer-Based Open Core is more resistant to service wrapping than other Open Core models***

# Thank you!