

In Generative AI, Your Moat is Execution, Not Proprietary Code

While GenAI models can be replicated, superior execution, domain expertise, and customer-centric services cannot. The most durable competitive advantage is built in the open.

This presentation outlines a strategic framework for GenAI companies to leverage a 100% open-source model. We will argue this is not just a viable path, but a superior one for driving innovation, building trust, and achieving long-term profitability.



The Open-Core Model Creates a ‘Dual Personality Disorder’

Many startups pivot from an open-source project to an “open-core” model, creating a Jekyll-and-Hyde split.

They praise the open community while strategically crippling the free version to drive enterprise sales.

- **Erodes Community Trust:**
Developers perceive the “Community Edition” as a lead-generation funnel, not a genuine product, breeding mistrust.



- **Engineering Focus Shifts:**
The debate changes from “What's best for the user?” to “What features should we paywall?” This stifles innovation.
- **Increases Technical Debt:**
Maintaining two codebases or complex plugin architectures adds overhead to testing, releases, and deployment.

The Two Paths Create Two Fundamentally Different Companies

The Open-Core Model

- An open-source “Community” edition with a proprietary Enterprise version.
- Value Proposition: “Pay for extra features.”
- Development focus is split between two competing agendas.
- Creates user lock-in via proprietary technology.

The Open-Source-First Model

- A single open-source codebase for all features.
- Value Proposition: “Pay for service, support, and convenience.”
- Development is unified, focusing on user needs and innovation.
- Eliminates tech lock-in, forcing competition on service quality.

By removing the internal debate over “what do we open source?”, an Open-Source-First company channels all its energy into making one product better for everyone.

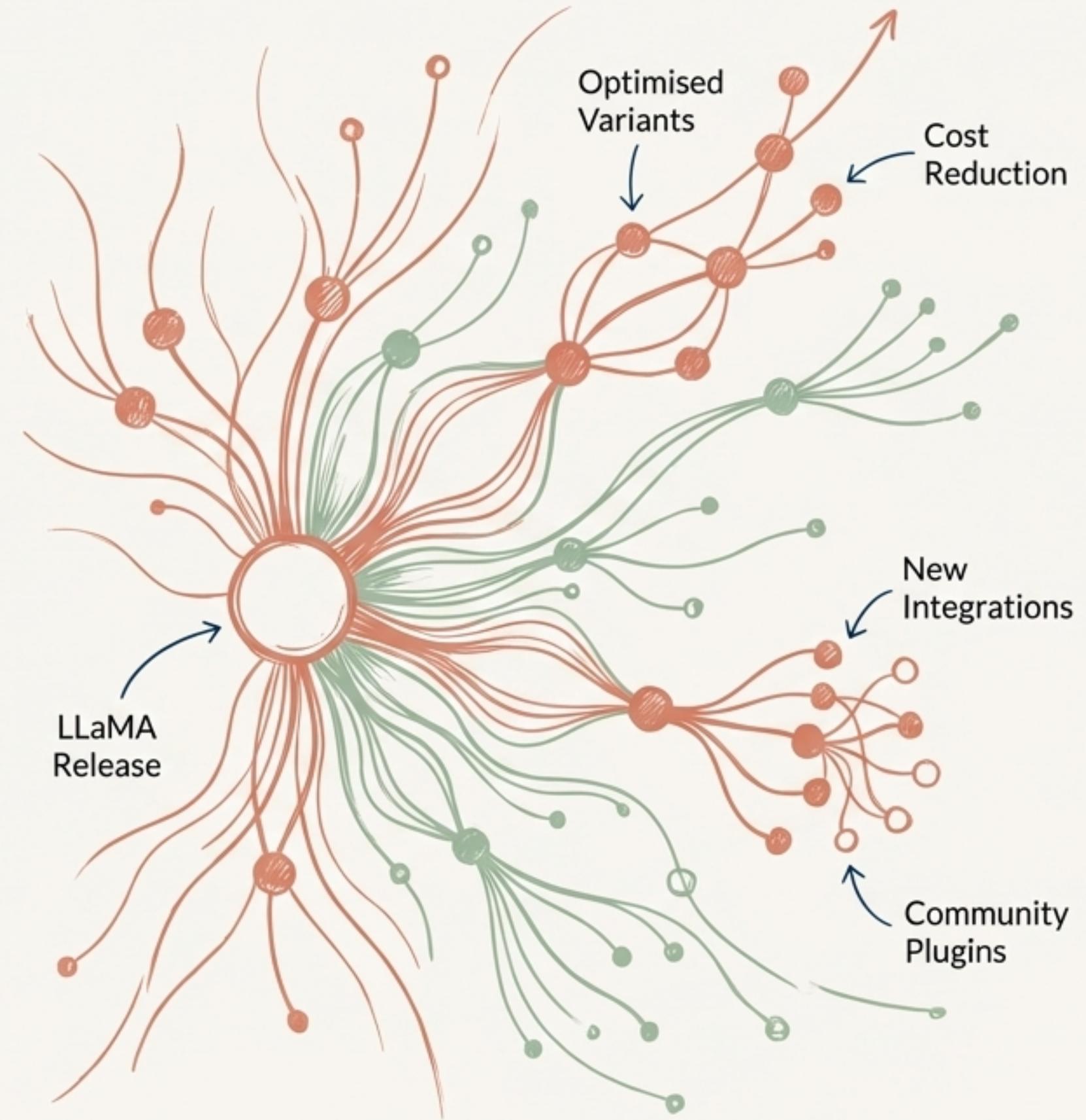
A 100% Open-Source Strategy Aligns Your Company for Enduring Success

Committing to a fully open model is not a compromise; it is a strategic decision that unlocks concrete technical and business advantages. It allows you to focus on a value proposition that cannot be easily copied: service, execution, and customer experience.



Openness Is the Most Powerful Engine for Innovation and Adoption

- **Fuel Rapid Feedback Loops:** Removing barriers to entry encourages widespread testing, bug identification, and contributions far beyond the capacity of a single R&D team.
- **Leverage Collective Improvement:** When Meta's LLaMA model weights were released, the open community rapidly created optimised variants, reducing running costs by orders of magnitude—progress impossible in a closed environment.
- **Build a Thriving Ecosystem:** Other platforms are more likely to integrate with a fully open project, creating a network effect of tools, plugins, and extensions that increase your product's utility and market stickiness.



You Win Enterprise Customers by Giving Them the Freedom to Leave

Enterprise customers value control and transparency. A 100% open-source product eliminates the fear of being handcuffed by a proprietary “black box.”

“ Whenever you remove the freedom that comes with open source, you stifle innovation. The real value for vendors lies in the customer experience and service quality, not code ownership. ”

— Dirk-Peter van Leeuwen,



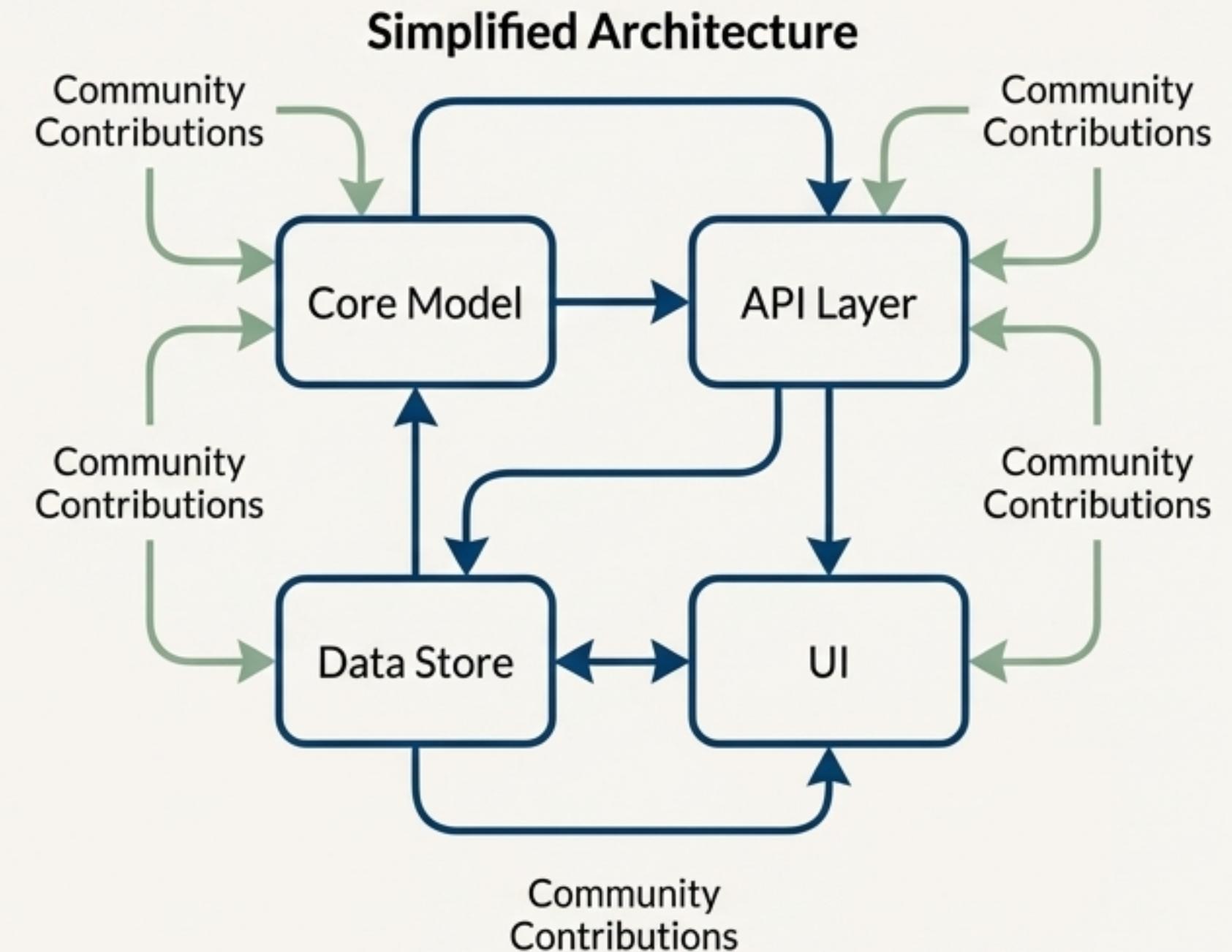
Removing tech lock-in is a compelling selling point for leaders burned by proprietary vendors.

Widespread, risk-free adoption creates a larger addressable market for your value-added services.

Once users trust and rely on your product for critical needs, they are “willing to pay top dollar for the convenience” of enterprise-grade services.

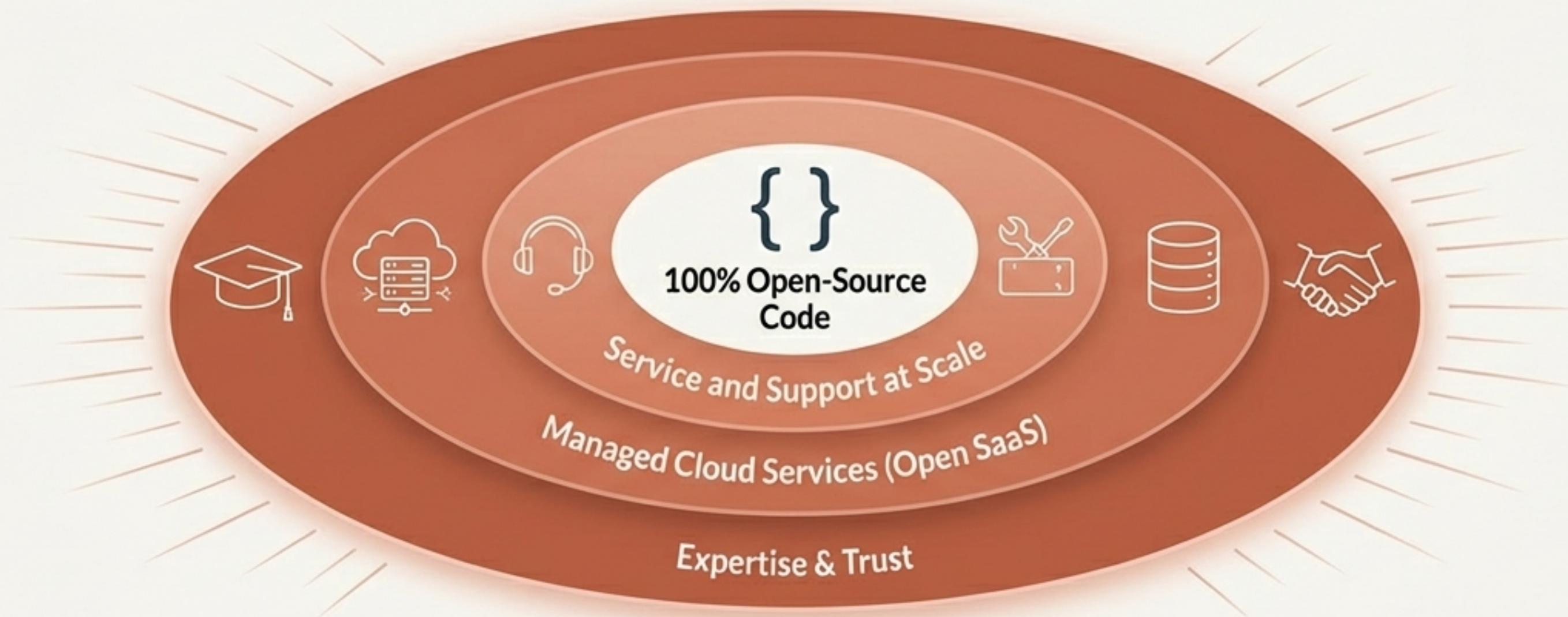
A Single Open Codebase Simplifies Everything from Architecture to DevOps

- **Cleaner Architecture:** No artificial interfaces or plugin systems to separate “community” and “enterprise” features. The entire system is designed cohesively.
- **Frictionless Deployment:** One edition of the product for everyone. If it works in your cloud, it works the same way for a customer on-premises or in an air-gapped environment.
- **Crowdsourced Operational Enablement:** The community contributes Docker images, Kubernetes Helm charts, and Ansible playbooks, making installation and scaling easier for everyone.
- **Future-Proofs Your Technology:** Easily integrate or swap in new state-of-the-art components (**models**, **databases**) without being blocked by a proprietary dependency.



You Don't Sell the Code; You Sell Tangible Value Around the Code

Decouple the value of the software license (which is zero) from the value of **services, expertise, and convenience**. You are not selling the bits; you are selling what the bits enable.



Service and Support at Scale:
Monetise your expertise.



Managed Cloud Services (Open SaaS):
Monetise convenience and reliability.



Dual Licensing (Without Closed Features):
Monetise licensing flexibility for specific use cases.

A Closer Look at Sustainable Open-Source Monetisation



Model 1: Service & Support at Scale

What you sell

Tiered subscription plans (24/7 support, SLAs), consulting, integration, training, and certification.

How it scales

Productise services with predictable recurring revenue. A virtuous cycle where customer funding improves the core open-source product for everyone.

Example

Red Hat built a billion-dollar business providing timely updates, patches, and world-class support for free software.



Model 2: Managed Cloud Services (Open SaaS)

What you sell

A ready-to-use, hosted version of your software. Customers pay to offload the operational burden of scaling, security, and maintenance.

The Key

The customer is buying convenience and reliability, not exclusive features. The code remains 100% open.

Example

Stability AI offers the managed DreamStudio service, which provides a seamless experience with the latest models, even while the Stable Diffusion model and StableStudio UI are open source.



Model 3: Dual Licensing (Without Closed Features)

What you sell

A commercial license as an alternative to a copyleft open-source license (e.g., GPL).

The Use Case

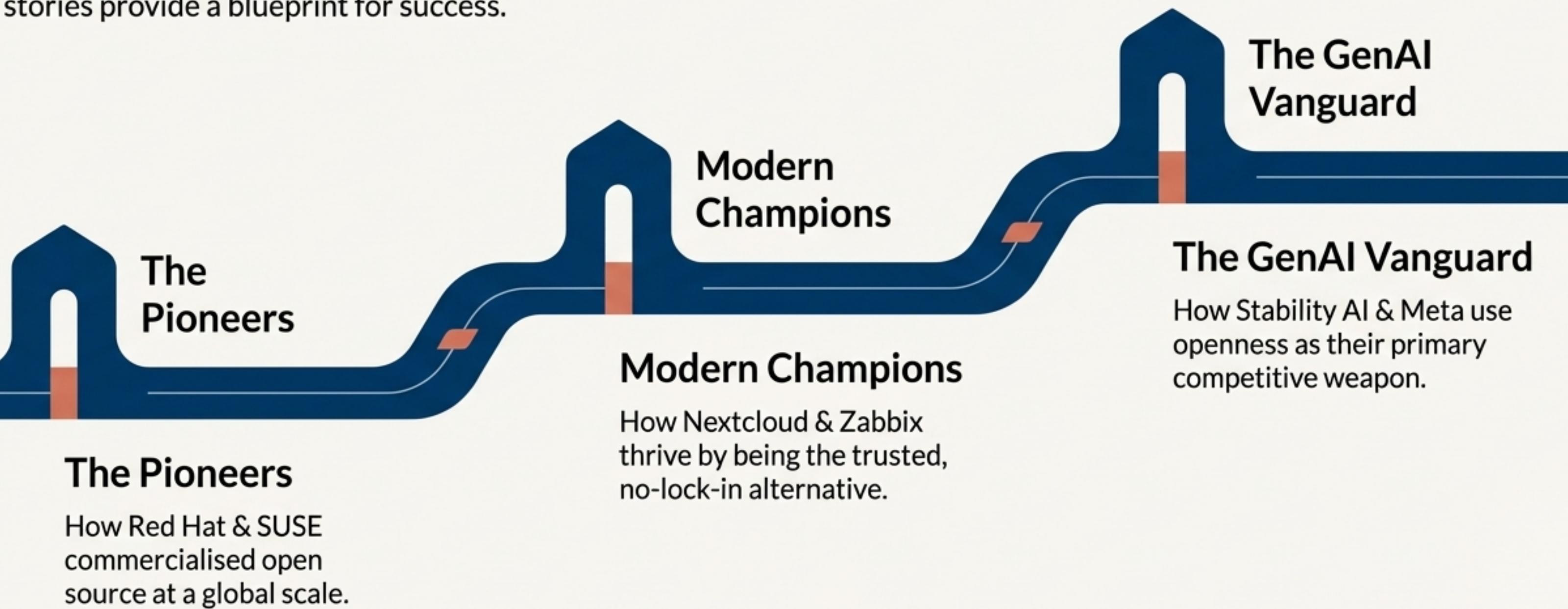
For OEMs or companies who need to embed your code in their proprietary products and cannot comply with copyleft terms.

Example

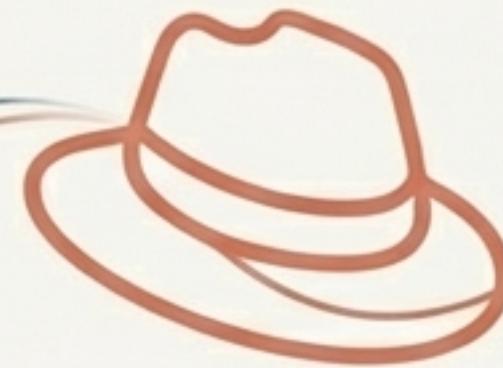
MySQL historically offered a commercial license for embedding, while all features remained available to the community under the GPL.

This Is Not Theory. It's a Proven Strategy from Industry Pioneers to the GenAI Vanguard.

Companies of all sizes, across different eras of technology, have built highly successful and profitable businesses on a 100% open-source foundation. Their stories provide a blueprint for success.



The Pioneers: Red Hat & SUSE Built Enduring Businesses on Service and Trust



Proved a pure open-source product could be commercialised at global scale (>\$1B revenue by 2012, acquired by IBM for \$34B).

Revenue model: Subscriptions for vetted updates, multi-product support, services, and training.

Principle: Remained committed to 100% open-source software, earning deep trust with enterprise customers.

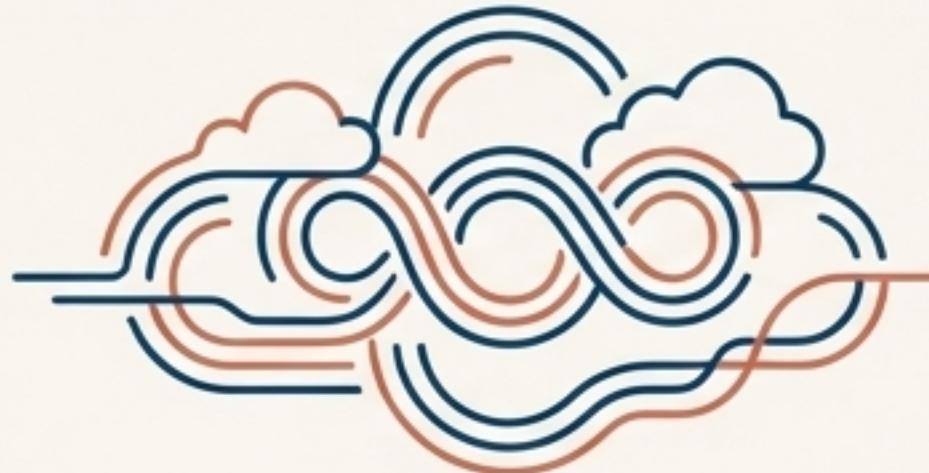


Over 30 years of continuous operation with a similar model: support subscriptions and services for fully open-source products.

Strategy: Build business value on customer choice and a lack of lock-in, positioning them as a trustworthy partner for sensitive industries (government, defence) that value digital sovereignty.

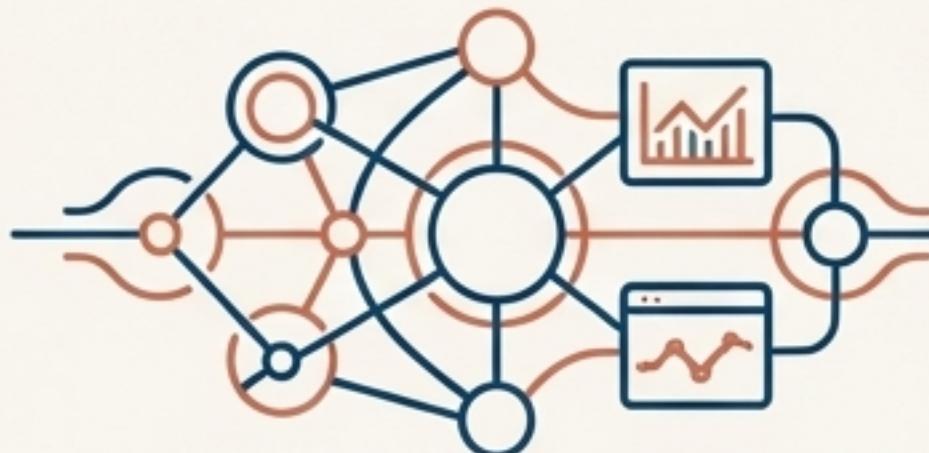
Lesson: Focusing on support excellence and keeping the code open can create a durable, loyal enterprise customer base.

Modern Champions: Profitability Through an Unwavering Commitment to Openness



Nextcloud (Collaboration Platform)

- Explicitly markets itself as “100% open source. We do not do open core.”
- Wins major government and enterprise contracts (e.g., French government) because clients can audit the code for security and are not locked in.
- Business Model: Enterprise support subscriptions and consulting.



Zabbix (Monitoring Software)

- After 20 years, the founder reaffirmed the company “remains committed to keeping Zabbix license-free.”
- This credibility builds a powerful community and makes Zabbix a standard tool in its category, creating a huge funnel for paid support and cloud services.

Lesson: In competitive markets, positioning your company as the open, no-lock-in alternative creates a powerful differentiator and taps into growing enterprise demand for auditable, flexible solutions.

The GenAI Vanguard Uses Openness to Out-Innovate and Out-Execute the Competition

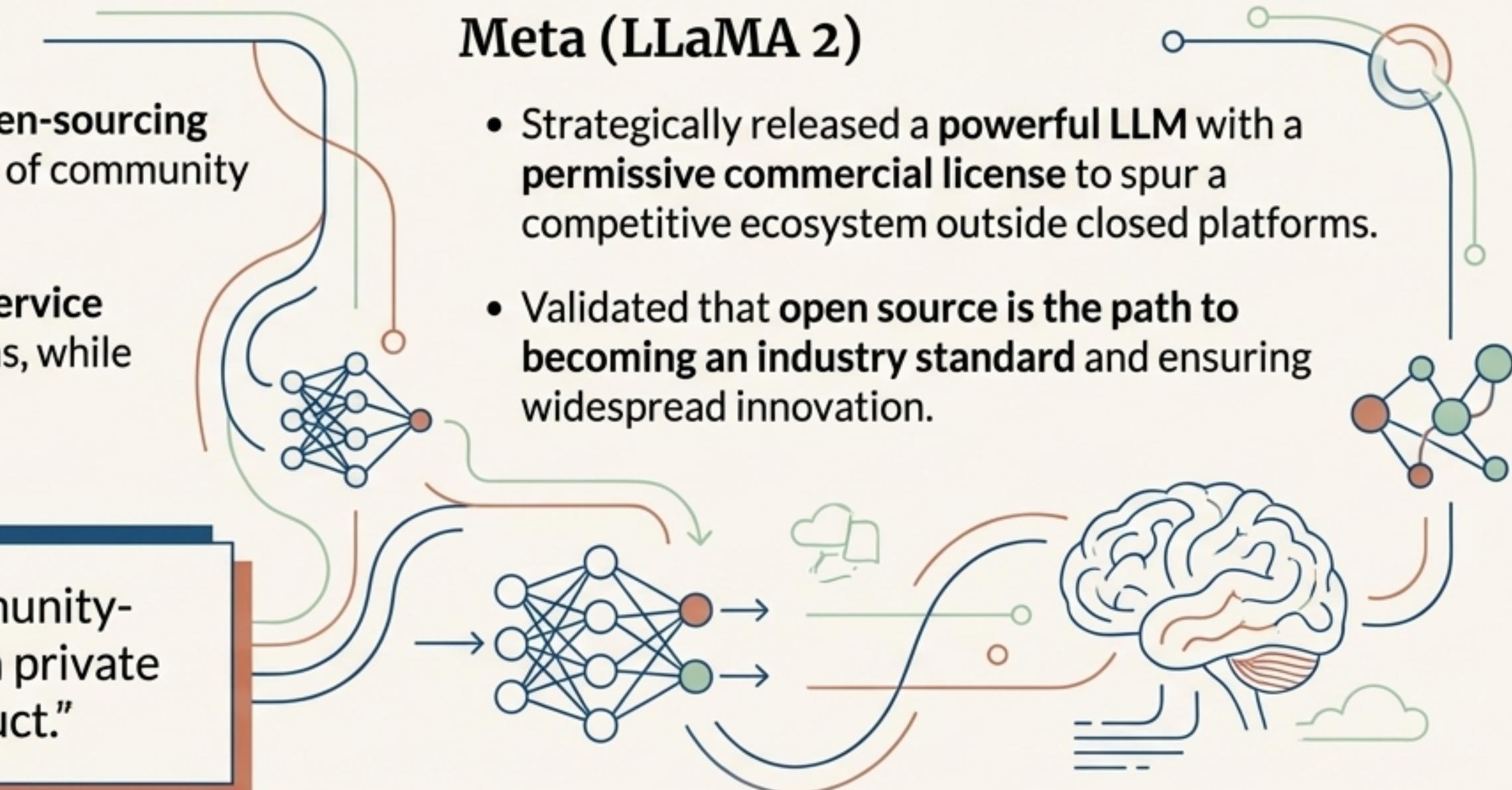
Stability AI (Stable Diffusion)

- Democratised image generation by **open-sourcing its core model**, leading to an explosion of community adoption and innovation.
- Monetises through a managed **cloud service** (DreamStudio) and enterprise solutions, while continuing to open source even its UI (StableStudio).

Their goal is “through open, community-driven development rather than a private iteration of a closed-source product.”

Meta (LLaMA 2)

- Strategically released a **powerful LLM** with a **permissive commercial license** to spur a competitive ecosystem outside closed platforms.
- Validated that **open source is the path to becoming an industry standard** and ensuring widespread innovation.



In the fast-moving AI landscape, releasing models openly creates a groundswell of usage and improvement that a closed model cannot match. Your defensibility lies in cultivating this community.

A Blueprint for Building a Successful Open-Source-First Company

Design for Community

Use public issue trackers and repos from day one. Treat external contributors as an extension of your R&D team.



Align Internal Incentives

Train sales and marketing to see the free product as your most powerful funnel, not a liability. Compensate based on service subscriptions.



Invest in Non-Functional Requirements

Use commercial revenue to fund security hardening, scalability testing, and performance tuning for the open product. This becomes a key differentiator.



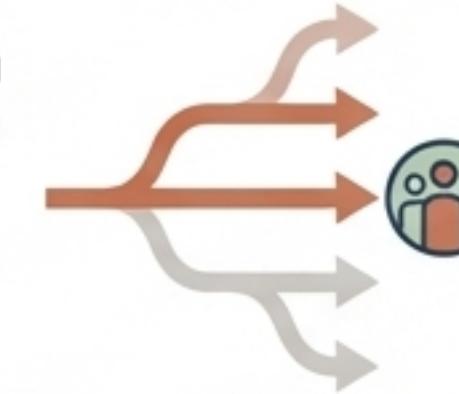
Market Your Openness as an Advantage

Emphasise the security of auditable code, the flexibility of no lock-in, and the transparency required in regulated industries.



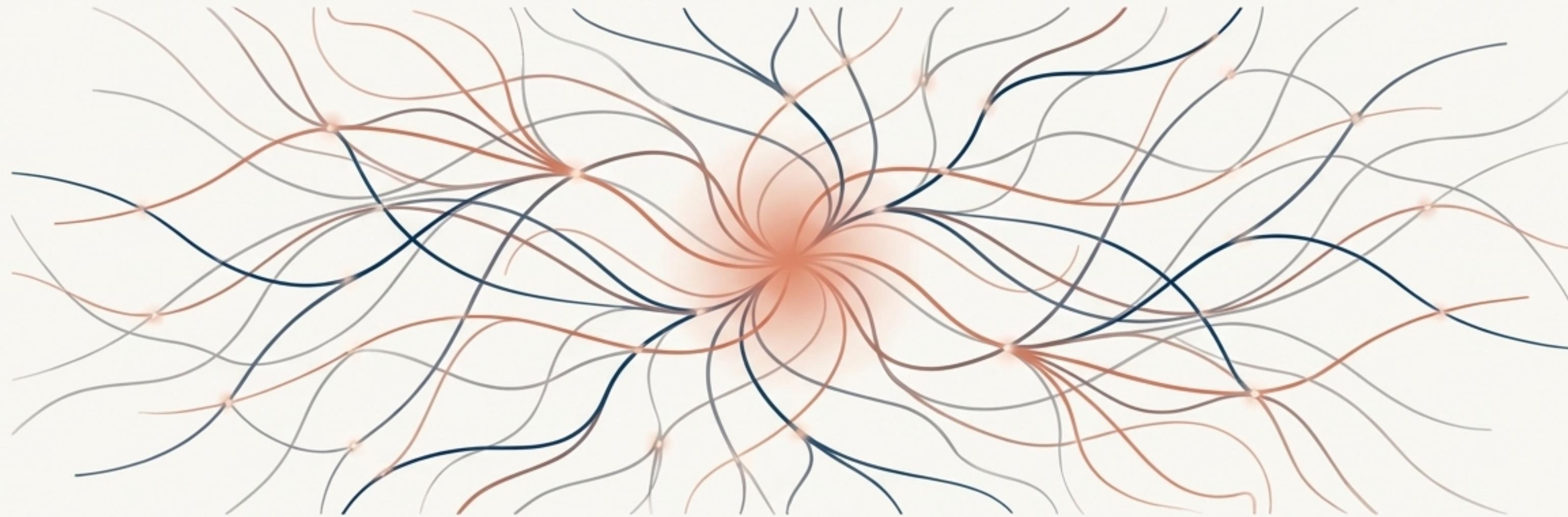
Handle Forks Wisely

Understand that forks only gain traction if you fail the community. The best defence is to out-innovate and maintain a healthy, inclusive project.



Open Source is the Strategic Centre of the New AI Economy

In an era where AI technology commoditises rapidly, proprietary control is a diminishing asset. The defining companies of the next decade will be those that build ecosystems, not walled gardens.



An open-source-first strategy is not an ideological choice; it is the most pragmatic path to building a resilient, **innovative**, and **trusted** Generative AI company. It flips the script: instead of limiting what users can do, you enable them freely—and build a business on the immense value that follows.

The most durable moat is a thriving community.