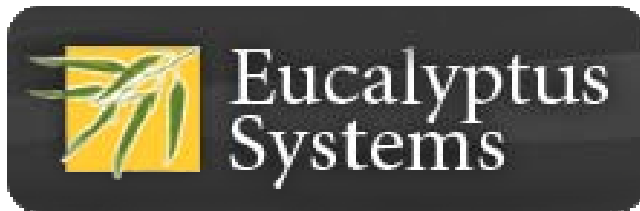# How to Operationalize an OSS Company

Rob Bearden & Peter Fenton

Benchmark Capital

Discussion Topics

- ▲ What Benchmark looks for in an OSS investment

- ▲ Closed vs. open source companies

- ▲ Foundation for a successful open source company

- ▲ Principles of operating an OSS company

Benchmark Capital & Open Source

The value of an open source company has a direct correlation to the size of the community and its ability to influence and monetize it.

What Benchmark Looks for in an OSS Investment

"Must-haves"

1. Magnetic, persuasive leader

2. Epicenter of community and code base

3. New frontier of adoption...in big market

4. Product linked to operations budget of customer

Closed vs. Open Source Companies

	OLD	NEW
Development	• Closed	• Transparent, Community Influences
Marketing	• Push	• Pull, Earned
Sales	• Ground War	• Air War
Support	• Cost Center	• Nerve Center

Foundation for an OSS Business

- Open Source is a development and distribution model

- There are three primary components:
  - Technology
  - Community
  - Business Model

- Get the first two right or lose

Foundation for an OSS Company
Technology Requirements

- Core product should have 70-80% functional parity

- Core must continually expand, innovate & remain open source

- Should be easy to access, setup and use

- Clear and concise messaging, footprint & roadmap

- Small, lightweight, easy-to-consume modules

- Clear definition between open source & "enterprise"

Foundation for an OSS Company
Community Requirements

The size and health of an OSS community is directly proportional to:

▲ Innovation in which the product is built & deployed

▲ Complexity of the problem it solves

▲ Size of the market it disrupts

Foundation for an OSS Company
Traits of Successful Communities

- Strong thought leader who is continually expanding, recruiting and pushing forward

- Value & respect the input of the community

- Responsive to the community

- Rely on community for functional prioritization, QA, innovation, adoption, market acceptance & velocity of distribution

- Provide structured way for community to participate

BENCHMARK
C A P I T A L

Foundation for an OSS Company
Business Model

Misalignment between a business model & the communities tolerance points will never be accepted.

This will manifest itself in having multiple distributors of the technology.

Foundation for an OSS Company
Successful Business Models

- ▲ Owner/builder vs. packager/distributor

- ▲ Commoditization vs. innovation

- ▲ De facto distributor of the technology

- ▲ Create & deliver value that the community understands, needs and pays for

- ▲ Productized for rapid consumption by both direction and indirect channels

- ▲ Strategy for viral awareness, adoption, distribution and consumption

- ▲ Heavily invest in OSS development & community

Principles of Operating an OSS Company

Topics:

- Technology

- Community

- Business Model

- Closed Loop Demand Management

- Metrics

Principles of Operating an OSS Company
Technology

- Invest heavily

- Innovate constantly (release early & often)

- Focus on productization

- Make the technology very easy-to-consume

- Ensure interoperability for enterprises & partner eco-system

Principles of Operating an OSS Company
Community

- Ask -> Listen -> Respect -> Act

- <u>Never</u> take away or disadvantage core

- Aggressively recruit participation across a broad category of experts

- Invite controversy

- Open & direct dialogue about OSS philosophy

- Be clear about roadmap and how to participate

- Clear communication about your business model

- Address issues honestly and quickly

Principles of Operating an OSS Company

Business Model

Constructed on several key principles:

- ## Awareness
  - Why & where will they look for this technology?

- ## Consumption
  - Who are the users? How will they on-board?

- ## Adoption
  - What is the adoption cycle? What decisions are made at each stage? When & how will they decide to use it?

- ## Production
  - How will they deploy? How will they use the technology? Why will they pay for it?
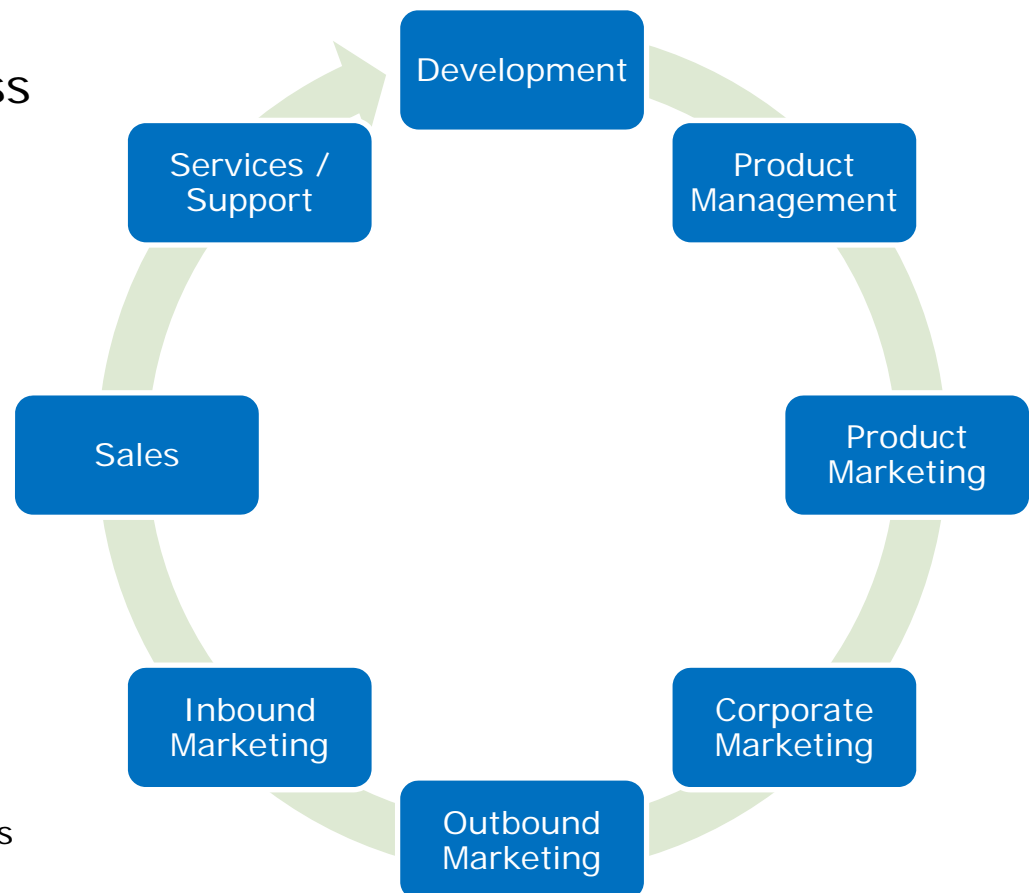
Principles of Operating an OSS Company
Closed Loop Demand Management

- **Community engagement** across multiple channels

- Effective company **positioning & messaging**

- **Productized offering**
  - Product roadmap, subscription offering, training and other services

- **Awareness** activities that rise above the noise
  - Press, analysts, influencers, customers, partners, social media channels

- **Outbound marketing**
  - Balance customer acquisition costs vs. lifetime value of customer

- **Inbound marketing**
  - Manage fine line between community & company sites
  - Effective and fair lead capture
  - Nurturing campaigns

Principles of Operating an OSS Company
Closed Loop Demand Management

▲ Design the demand generation workflow across each internal function

▲ Document roles & responsibilities
  - In granular detail

▲ Identify & map interdependencies

▲ Understand and track key metrics
  - Model in detail
  - Establish & track conversion rates within each step

- Development
- Product Management
- Product Marketing
- Corporate Marketing
- Outbound Marketing
- Inbound Marketing
- Sales
- Services / Support

Principles of Operating an OSS Company
Community Metrics

Metrics include:

- ▲ Unique community website visitors
- ▲ Downloads
- ▲ Forum posts
- ▲ Wiki contributions
- ▲ # of committers
- ▲ Code contributions by committers
- ▲ Social media posts (blogs, Tweets, etc…)

Principles of Operating an OSS Company
Measuring Business Health

▲ Monitor the customer acquisition process from beginning to end

▲ Monitor the ratios between stages to identify bottlenecks

Unique Website Visitors

Downloads

Web Registrations / Raw Leads

Qualified Leads

Opportunities

Deals Won

Thank You