URL: https://stvp.stanford.edu/clips/monetizing-open-source-projects

Ali Ghodsi, CEO and co-founder of Databricks, advises that succeeding with an open-source product requires two home runs: First the project has to go viral, then the company has to develop a more valuable proprietary product that people are willing to pay for.

Transcript

   - The problem with open source is that the perfect formula 00:00:06,390 for succeeding with open source looks as follows.. It requires two home runs that happen consecutively, okay? And each home run is kind of a product market fit, 10x value what? PTL calls zero to one 10x value, right? So home run number one, you better have an open source project that goes viral and the whole world downloads and adopts.. If you can't do that, then it was a real big mistake for you to start an open source company because you've given away your IP, and you've given away your IP to anyone who'd like to beat you and compete with you, and you got nothing back for it.. Nobody's downloading it, no one cares about it.. So that was a big mistake.. So you better have your first home run, of course business, you know, entrepreneurship comes with risks.. You should take those risks and you know, if you fail, you can try again.. But let's say you succeed and now this thing is going kind of viral.. Lots of people are downloading it, lots of people are using it.. That's stage number one..

   Stage number two, you need another 10x value.. Just like Peter Thiel says, you need 10x to really change the market, you need another 10x on top of it.. And you layer that on top of the existing one.. That one you keep proprietary and that one they have to pay you.. And it's very hard to do one home run, let alone two home runs consecutively.. Using one for open source, using the second one for proprietary value in selling.. If you succeed doing both, you have an amazing formula and you're gonna crush everybody, 'cause the amount of marketing you're gonna get out of the first home run.. And the worldwide sort of is unprecedented.. It's almost, you know, it's right 'cause it's free and the whole world will know about you.. And then with home run number two, you use that demand that came in and you convert it into revenue..

   And it's amazing, but it's hard...