URL: https://stvp.stanford.edu/blog/videos/the-dynamics-of-open-source-software

Peter Fenton, general partner at Benchmark Capital, discusses what the future may look like with open source software, and how competitors view open source software companies.

Transcript

Open source software which is sort of the thrust of today at least in terms of disruptive force stands out in the software landscape I think alongside software's and service or what's typically called ASPs is one of the most powerful forces that I see changing our software industry.. So we look back in 2015 and that same kind of creative destruction that played out around the Wintel world I firmly believe will be linked to what's going on today and in the very early days of open source software and there's sort of four, five reasons why I think that happening.. One is that the economics are being turned upside down because of the Internet you can leverage development across a broad pool.. And more importantly the distribution gets turn upside down in the open source model because the customers self serve themselves like a similar way Dell did earlier in the PC business.. And that distribution advantage is particularly interesting in software because we back a traditional software company not an open source company, the bulk of our investment 40%, 60% plus goes in not to engineering but into the sales force; it has to go convince customers to buy.. And with open source that's happened before we get there and hopefully before we get there and it really puts the incumbents into a classic form we call the Innovator's Dilemma which Clayton Christensen is sort of the guy who crystallized the thinking around this and the incumbents around open source is not unlike what happen I think around mini business when the Intel world came about.. First response is to discredit open source; they claim it's not really happening in their business, it's happening at the low end companies are doing this and their instincts are to run away from it and not legitimize it which for me sort of is the classic form of where this creative destruction occurs.. They can't compete on the same terms as the open source company.. I think the winners in open source it's our view that they can build really substantial competitive advantage that will endure over many years and that's primarily because in distribution, once you get locked in at market share its' very hard to get rid of, the software or the computing architecture that's been adopted by the customers...