

Open-source business model – GitLab case study

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Abstract

Open-source software doesn't have to be free software. Free software doesn't have to be devoid of monetization. You can monetize both open-source and free software. There are various business models you can exploit to achieve this. Some are based around services, others around licensing advanced features. Companies need to fulfill two prerequisites to be able to monetize their product: broad adoption and primary credibility. They need to have a diverse, spread out user base. They also need to have primary credibility within their community. This allows companies to capture more value and achieve a higher market cap. The main ways companies monetize open-source projects are through: (1) support, (2) hosting, (3) restrictive licensing, (4) hybrid licensing, and (5) open-core. These approaches can be layered on top of each other. Most often, a business model consists of two or more approaches.

GitLab's approach uses an open-core model as its base. There's no separation between the type of users - commercial or non-commercial. Often, there's a struggle to maintain a balance between contributors and users. Using hybrid licensing allows providing enough rigidity and flexibility at the same time. Having enough rigidity allows you to support a business model. On the other side, enough flexibility attracts customers, users and contributors. Overall, a business model needs to balance these concerns and capture value to be viable.

Keywords: open-source; GitLab; business; monetization.