

SaaS/Application Software

SaaS: Interview With CEO of Gigya

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Gigya was founded in 2006 and is headquartered in Mountain View, CA. At the highest level, the company provides organizations with solutions to completely socialize their web properties aligned with users' heightened and continuously evolving requirements for social experiences similar to Facebook and Twitter wherever they go on the web.

According to Mr. Salyer and consistent with our other checks, Social is a "top three" priority for almost every online business today. While initial forays into Social were more basic - creating Facebook pages or Twitter accounts - online businesses are now thinking about reconfiguring the way that their sites work from the ground up to become social. This requires integrating into different and new APIS (i.e., Facebook for Websites and Twitter Connect), building out new applications, and taking advantage of new sets of data, which are at the core of Gigya's value proposition.

Gigya's value proposition consists of helping top tier websites drive increased engagement, increased time spent time on the site, increased page views and increased understanding and data on their consumers and users. One important reference customer, Verizon, has found that when users actually log in socially, they spend 30 percent more time onsite.

Given the strength of demand trends and the magnitude of the opportunity (primarily Greenfield, and Mr. Salyer estimates that 40,000 online businesses would pay for and adopt social infrastructure), the company looks to be on track to triple sales this year (consistent with last year's growth rate) and double sales next year, according to Mr. Salyer. Conversion rates have been consistent even despite macro headwinds, and the number of opportunities generated per month are 7x what they were in 2010. The company added a record number of enterprises last quarter (85) and is on track to add 100 more this quarter.

The core components of Gigya's integrated Social Infrastructure platform are User Management 360 (a complete user management system that is composed of Social Login, Registration-as-a-Service and Identity Storage) and Gamification (incentivize behavior through rewarding points, badges, and real rewards). These components tie together seamlessly (for example, incentivize users to comment and share comments through Gamification but also get users to register easily/quickly before they comment), which represents a key differentiator vis-à-vis best-of-breed peers.

According to Mr. Salyer, Salesforce.com has a similar vision of the Social world (both see the rising importance of Social, especially as a marketing tool), but has been focused in two different areas (media management, monitoring) which are complementary to Gigya's Social Infrastructure.

Michael Huang(MH): Could you explain the main problem that Gigya solves and why customers are excited by what you're doing?

Patrick Salyer(PS): Gigya provides social infrastructure for online businesses; it's everything that a website or application needs to become social. This is critical because we have seen that users' expectations on the web have changed - users expect a social experience similar to Facebook and Twitter wherever they go on the web today.

Every online business needs to think about reconfiguring the way that their sites work to become social from the ground up. In reality, it's not easy for these online businesses to do. It takes integrating into different and new APIs like Facebook for Websites and Twitter Connect. It requires building out new applications and actually taking advantage of new sets of data.

That's where we come in; Gigya is providing the complete social infrastructure. We become the single provider and vendor that any enterprise can rely on to completely socialize their web properties to meet and match this trend.

MH: When you're typically selling it to an organization, are you selling to a Greenfield opportunity or are you typically replacing something?

PS: Often it will be Greenfield, where there has been very little social integration to date. Sometimes it may just be a "like" button within the site experience or maybe a Facebook share or Tweet; it's really not the deep social integration that will get the results the business is looking for or match the shift in user expectations.

MH: What are you seeing in terms of demand for this type of product from customers?

PS: Social is a top three priority for almost every online business today. This is a major trend on the web and what we're seeing is that when online businesses began social they created a Facebook fan page or Twitter account.

A lot of those businesses learned that there are some limitations to this approach. One is you're not developing individual relationships with your customers or with your users. For example, you don't get their e-mail addresses and other necessary data – on a permission basis -- to create connections with users. Two is you can't completely control the site experience and people rarely buy products within Facebook. We're seeing that those same businesses that originally built for Facebook and Twitter are realizing that they now have to focus on their websites and make their applications completely social. There are a lot of advantages to that. One is that you develop individual relationships with customers. And by asking them to sign in through social login you can get e-mail addresses, complete interest graphs, and social graphs.

When you completely socialize the site experience you get increased engagement, increased time spent on the site, and increased page views. Over the past nine months, retail has been our fastest growing vertical and I think this is a result of many retailers who focused initially on Facebook realizing it didn't work. They're moving back to their dot com. While still realizing social is critical, they are going to focus on developing their relationships around actually selling products.

MH: Who is your target customer? Who are some key customers?

PS: We really focus on the very top tier of the web. We currently work with over 600 enterprises and are growing rapidly; we added 85 enterprises last quarter and we'll add 100 this quarter.

We work with 44 percent of comScore 100 companies and eight of the top ten media companies in the U.S. We work across all verticals, but the five fastest-

adopting verticals have been Media & Entertainment, News & Publishing, Brands, Retail, & Travel & Hospitality.

As an example, some of the media companies we work with are NBC, FOX, ABC, CBS, Turner, and Reuters. Brands would be the next largest segment that we work with and they include Pepsi, Nike, and Verizon. Within retail, we work with New Balance, Dell, and Adidas. Travel has also been strong for us; we have customers like KLM airlines, Las Vegas Sands, and Wyndham.

MH: Can you go into detail about some of the benefits and results that you've been able to deliver?

PS: We're able to go to a business and explain to them that we're actually going to drive the core metrics they care about and give them increased understanding and data on their consumers and users. If you're a publisher, we're going to make sure that people actually spend more time onsite and engage in your brand.

These are metrics that publishers and brands already care about so we don't have to retrain the way marketers think. As an example, one of the things that Verizon really liked was our complete social infrastructure which included social login, our suite of social plugins, and social Gamification, which incentivizes behavior through points and rewards. They saw pretty incredible results; they had 50 percent participation and were finding that when users actually log in socially, they would spend 30 percent more time onsite.

We are able to bring in a user's social graph to customize the site experience. A user, for example, could see their friends' activities within Verizon and could be incentivized to do things like leave comments and view and share more articles within the site experience to earn points and rewards. On average, users viewed 15 percent more pages when they were incentivized which is huge for Verizon.

Another example is Forbes, one of their major initiatives was to increase the number of sign-ups and registered users. Forbes is using social login to gain additional data on their users and, in turn, better monetize their ads. After implementing social login through Gigya, they saw a 100 percent increase in new registrations simply because we're easing the signup process for those users.

We're taking away that need to create a user name and password and type in all that information. Two-thirds of users chose social login instead of traditional registration proving that social login is becoming the standard. These results are compelling and companies are seeing that we are getting increased engagement.

We've found that when users engage within the comment section on their site, they're actually stickier, and they visit more frequently. By implementing Gigya's technology, they saw a 60 percent increase in comment engagement.

MH: What are your core products and with respect to product roadmap, are there any upcoming products or recent apps that you'd like to highlight?

PS: There are two components to a complete social infrastructure, one is the back-end technology, which we call User Management 360, which is a complete user management system designed for the social web. It helps businesses better access consumer identity information, manage that information, and take advantage of it to impact traditional marketing.

Within the User Management 360 platform we have a few product offerings. One of them is Social Login, which is where we started, which allows users to sign up or register with a social identity. This is beneficial to businesses because they get increased registrations which are the core of what Gigya offers to online

businesses. We've recently added two different offerings, which have been our most quickly adopted products in Gigya's history.

One is Registration-as-a-Service which completely outsources the traditional registration process for users. Pepsi for example, can have an agency build a new website and instead of having that agency build the registration system from scratch, which includes all the server site code, the client site code, and UIs, all they do is drop a single line of Gigya code and connect it to a register button. At that point, Gigya is managing all of the UIs for that process of registration which include collecting any information on that user. This information includes first name, last name, password validation, and e-mail verification.

This is really the first time this has been done on the web, for a long time B2B data has been outsourced to companies like salesforce.com and the idea of a B2B company collecting B2B data was ridiculous, they would just use Salesforce CRM. When it came to B2C websites, online businesses have been building this from scratch. You have to rely on the development team to create all the UIs, all the code, and the back end database. It's time consuming, and you can't make changes once it's live.

Further, when you're building this yourself often times the data gets side loaded in a lot of different databases. A brand like Pepsi for example has 20 different agencies building 100 different websites; the data ends up in many different databases. Our third product that we brought on board is called Identity Storage, which is a cloud-based storage system designed to handle all the consumer social identity data we're getting access to on behalf of our client. We can take data that comes from multiple different sites and devices like the iPad and iPhone and consolidate all these data points into one viewpoint, which is really easily accessible for the marketer. We also have the ability for marketers to easily access and segment this data through a product called Identity Access. Along with that we have a third-party platform product where we can integrate into e-mail marketing tools, ad surveying technologies, other CRM tools, and we call that Gigya NEXUS.

Along with the User Management piece we have a complete series of front-end technologies which break down into social plugins and Gamification products. These essentially add a Facebook-like layer to any website giving users that social experience they expect through a series of applications. Social plugins are things like sharing tools, social commenting tools, activity feeds so you can see what your friends are doing, and chat tools.

The second part of the platform is the Gamification component which gives companies the ability to incentivize any valuable behavior through rewarding points, badges, and even giving real rewards. We see all this technology fitting together seamlessly. For example, when you take a comment social plug-in it's really important to integrate that with other tools such as Registration-as-a-Service and social login so that you can register people when they comment.

You want to integrate sharing into comments and incentivize comments through Gamification by giving badges and rewards for frequent commenters and great commenters. Everything fits together and works seamlessly which is a real advantage for the clients we work with.

MH: What is your penetration within your install base? Are there organizations that have adopted every component within your product suite?

PS: About 40 percent of our customers have adopted the entire suite. The vast majority of the rest of customers adopt two of the three products. We rarely find a customer that's just adopting one of our products. We do have the opportunity for up-sells which is a significant up side to the business for us. We've been able to innovate at such a fast pace, every six months we're launching a new product.

MH: Because you are dealing with such large customers is there a significant opportunity to further penetrate into more of their web properties?

PS: The market is absolutely huge. It is estimated that 40,000 online businesses would pay for and adopt social infrastructure. The major opportunity for us, because there is so much business out there and demand for our product, is new sales and adding new customers including some in the Middle East, Europe, and Latin America where we are seeing a lot of growth.

We have an entire team dedicated to getting a client implemented as well as servicing that client and moving sideways within an organization. We have been pretty successful within media companies and large brands at starting with an initial product and then expanding from there.

MH: What is the split between international and domestic?

PS: International is still the minority but it is a growing segment, and it is across all verticals. The Middle East, for instance, has one of the highest adoption rates of social media. Europe, Australia, and South America's have also been great for us. While we have been expanding quickly internationally over the past year, there is still a lot of business here in the U.S.

MH: Could you talk about the drivers for pricing?

PS: We have an annual licensing fee with pricing based on usage and volume. For example, the number of users getting registered with Registration as-a-Service and Social Login as well as the number of properties all drive pricing. As an example, a single property that's adopting the suite is probably paying roughly 4 to 5 thousand a month in terms of a starting point. It's typical that companies that we work with are paying well into six figures annually.

We come up with a new product every six months or so that helps to dramatically push up our ACV. From 2010 to 2012 we increased our annual contract value by 2.5x just by adding additional products.

MH: Can you speak a little about your underlying architecture? Also how difficult is it to get the product up and running, how much of your business is related to professional services?

PS: We are completely hosted and operate our own infrastructure which is a differentiator for our business. In terms of what it takes to get implemented, although we are focused as a technology company we do want to make sure that our clients get implemented successfully and as such, have a whole team built on assisting with implementation. Typically, this includes dedicating a few individuals like a project manager, client service engineer, and a UI designer to an implementation. The actual development will take a developer about a week's time while the entire implementation may take three to four weeks if you count the set up process, the development, and the QA. If a company were to try to build and implement this type of technology on their own it would take them years to build out the functionality.

Even just implementing straight out of the box functionality from Facebook would tend to take much longer than our implementation on an initial basis and then adding functionality on an ongoing basis would become pretty painful.

MH: Is there anything out there that is constraining adoption? Why do some of your prospects decide not to embrace this?

PS: Internationally, there are still some regions that are not as far along as the U.S. in terms of the adoption cycle. Asia is probably a year and a half behind where we are in the U.S. and Europe is arguably six months to a year behind where we are

in the U.S. and we feel that there is going to be some natural progression in those regions.

We are seeing the same thing within verticals. Within publishers and brands awareness is very high. Retail and travel are still growing quickly. Social is maturing continually and over the next year or two we are going to see more organizations move from just creating Facebook pages and Twitter accounts.

MH: Do macro and European concerns have any impact on your business and your customer's willingness to spend?

PS: We are actually seeing more demand, more interest, and increased conversion rates throughout this period. From the standpoint of active sales opportunities we're generating on a monthly basis, in 2010, we generated 100 opportunities per month, 2011 around 250, last month 600, and we're on pace to do about 750 this month and the conversion rate to actually close a deal has remained absolutely consistent.

MH: What is your competitive advantage and biggest source of differentiation? What is the secret sauce around your business?

PS: We are the only player in the market to provide the complete social infrastructure as opposed to a smaller point solution like a social plugin, Gamification platform, or social login provider. That's a huge differentiator for us because when you're an online business, the idea of partnering with four or five different technology vendors for your website is a nightmare because you have to learn four or five different code sets and sign four or five different contracts which are expensive. Dealing with four or five different client service teams and getting the technology to work with each other is really hard to do.

We believe in the approach of providing a one-stop shop for the clients we work with.

MH: In terms of competition, who do you see most often today and who represents the biggest competitive threat down the road?

PS: We haven't seen anyone come close to offering the complete social infrastructure or come close to our adoption rates. In terms of competition we have various competitors in categories like sharing, Gamification, and comments, for example. I should also note that we have and will continue to partner with any of our point solution competitors in the space as well.

We also stand alone in terms of scale; we touch a billion unique users per month. Although there are a lot of well funded, smart companies out there that are continually expanding their suite we continue to drive really hard to get max adoption and are scaling rapidly as well as expanding our profit set.

MH: How do you compare yourself to some larger enterprise social companies like Jive, Bazaarvoice, and to some extent salesforce.com? Do any of these companies competitively overlap with what you're up to?

PS: Salesforce probably has the most similar vision of the world as they really believe in the social marketing suite and the power of leveraging social to market to consumers. They've been focused in two different areas which are complimentary to what we do. One is within social media management with their acquisition of Buddy Media and the other is within social monitoring and customer service with their acquisition of Radian6. I think both of those were really smart acquisitions. Importantly, I think we actually represent a third piece of that puzzle with social infrastructure which is the on-site piece rather than that off-site piece. We share Salesforce's vision on the importance of this technology and see it as a marketing tool more than anything else.

We view our technology as complimentary to Jive as we are going after different markets, they're primarily focused on socializing the internal enterprise. Bazaarvoice is focused within one point solution specifically, so we do have a bit of overlap, but we don't really see them as competitor. In fact, we have a lot of joint clients with Bazaarvoice and see them more as a partner.

MH: Can you talk about your sales model? Are you selling primarily direct or do you have a channel, and how is that evolving?

PS: Historically we've relied on direct sales primarily. Currently we have 60 sales representatives and we have what we call an inside-hybrid model where we have reps that are primarily inside reps but do travel as necessary. We've been able to generate quite a bit of scale, we had 600 new opportunities last month, and we're closing a high percentage of these opportunities after a 3 or 4 month sales cycle.

In terms of the channel, we've just dipped our toe in the water and we think that there's a lot of opportunity in partnering with various agencies and ISVs. We have some initial partnerships in place, and we plan to expand those. We also have a complete referral and reseller program and hope to see some of the impact of that over the next year. That being said almost all of our growth has primarily been through a direct model.

MH: What does your partner ecosystem system look like, are there strategic partners that are especially meaningful to your business?

PS: We're really expanding our partnerships and we have some great relationships; the Gigya NEXUS program leverages some of the data we're getting through Social Login and Registration-as-a-Service to impact traditional marketing. We have partnerships with the traditional e-mail marketing vendors like ExactTarget, Responsys, and others in that category. We partner with those in the content recommendation space such as Certona. We're partnering with the CRM providers, like Salesforce, because people want to add the data we create to their CRMs. We've tried to make these integrations out of the box and very easy for the clients we work with.

MH: Do you guys have relationships with Eloqua and Marketo?

PS: Because our focus is mainly B2C it's more typical that we would integrate with some of the more B2C e-mail marketing platforms. We do however integrate to Marketo through their integration with Salesforce.

MH: As you look out over the next couple years, what's the biggest potential challenge for Gigya?

PS: I think that when you get to our scale in terms of customer base and growth you just need to make sure that you're putting the systems in place to be able to take it to the next level. We currently have 60 sales people and I think we'll get to 120. When you have 600 customers we need to have strong client service team in order to keep those customers happy and implemented.

We feel like we've hit on the right product at the right time, and we don't see a limit in terms of market size. We need to maintain the mindset of executing and making sure that we can scale correctly.

MH: Can you give me the sense for how big you guys are and how fast you are growing?

PS: From 2010 to 2011 we tripled sales and we're on pace to triple sales again by the end of this year. We've had seven consecutive quarters of double-digit sales growth and we had our largest quarter in Q3 with 85 new customers. The

company's at 150 employees and we feel that all the metrics are trending in the right direction. We believe we can double our sales again next year.

MH: In three years, what is Gigya? Is Gigya a fast growing private company, a public company, or part of somebody else's platform?

PS: We believe the markets that we're pursuing are large and significant and could produce an independent company. We're focused on this quarter, this year, and the next year.

MH: Thanks for your time and perspectives.

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