

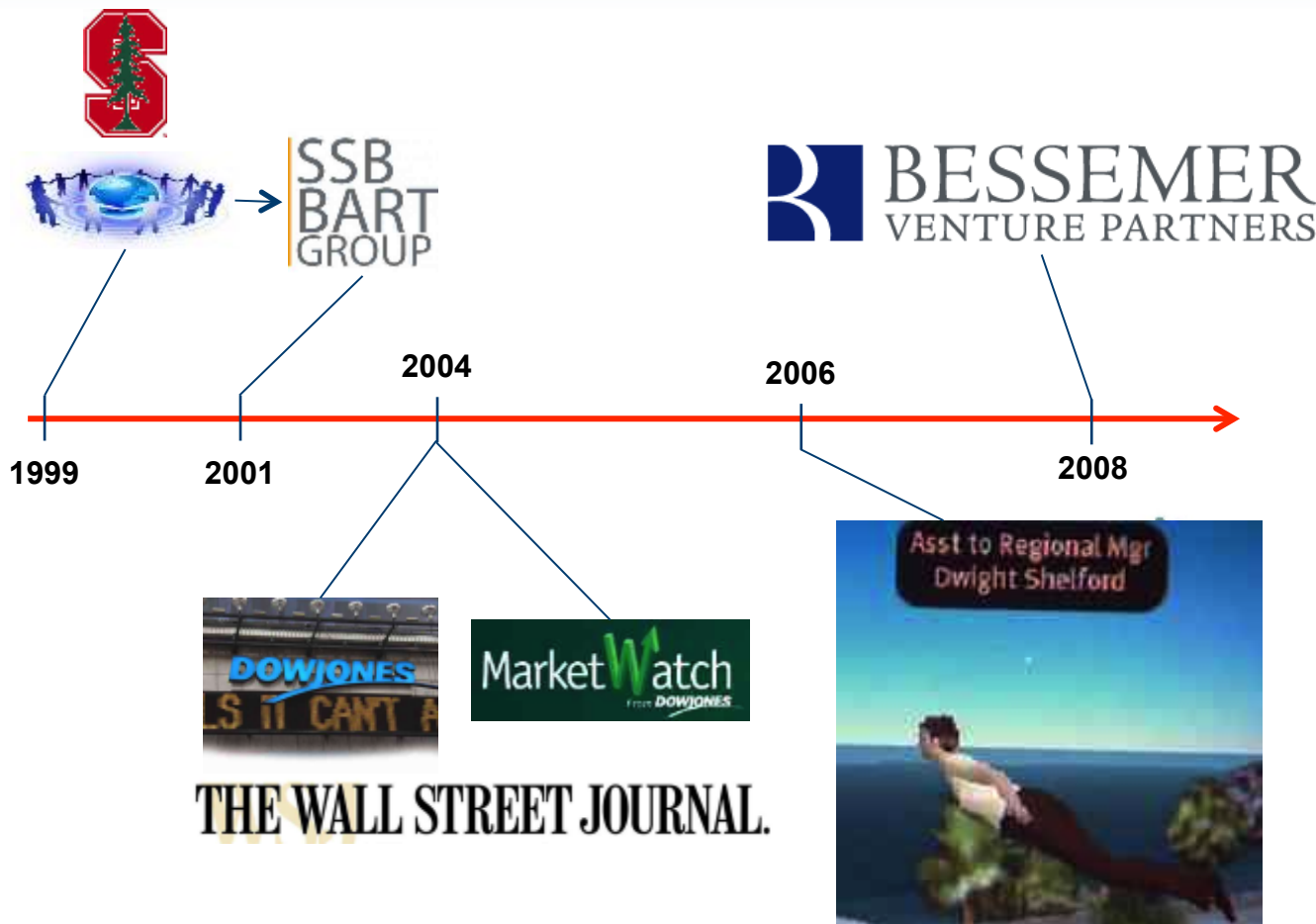
B Nicely Convincing Investors They've Been Stupid and Should Start Paying Attention

October 1, 2013

BESSEMER
VENTURE PARTNERS



Who am I?



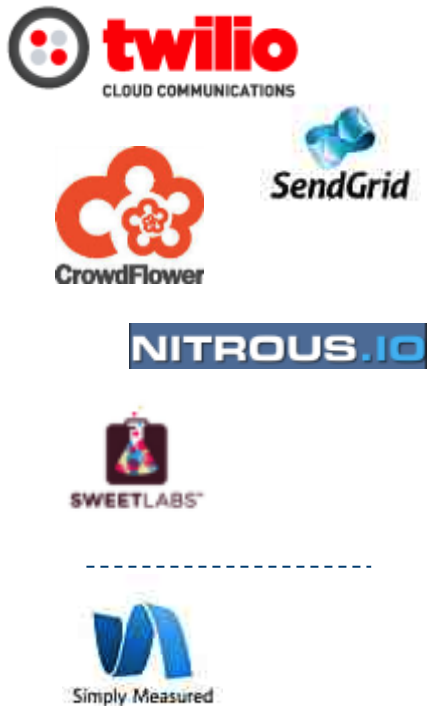
Who is BVP?

- Oldest private investing practice dating back to 1911
- Spun out of family office as VC firm in 1979
- \$4.0b under management; latest fund BVP VIII \$1.6b
- 15 partners; 40 investment profiles; 7 offices
- Active investments in ~15 countries
- Roadmap-driven approach
- Invest at all stages from Series A onward
- We love developer businesses! Active roadmap



Where have I been investing on behalf of BVP?

Developer Platforms



Consumer



Other

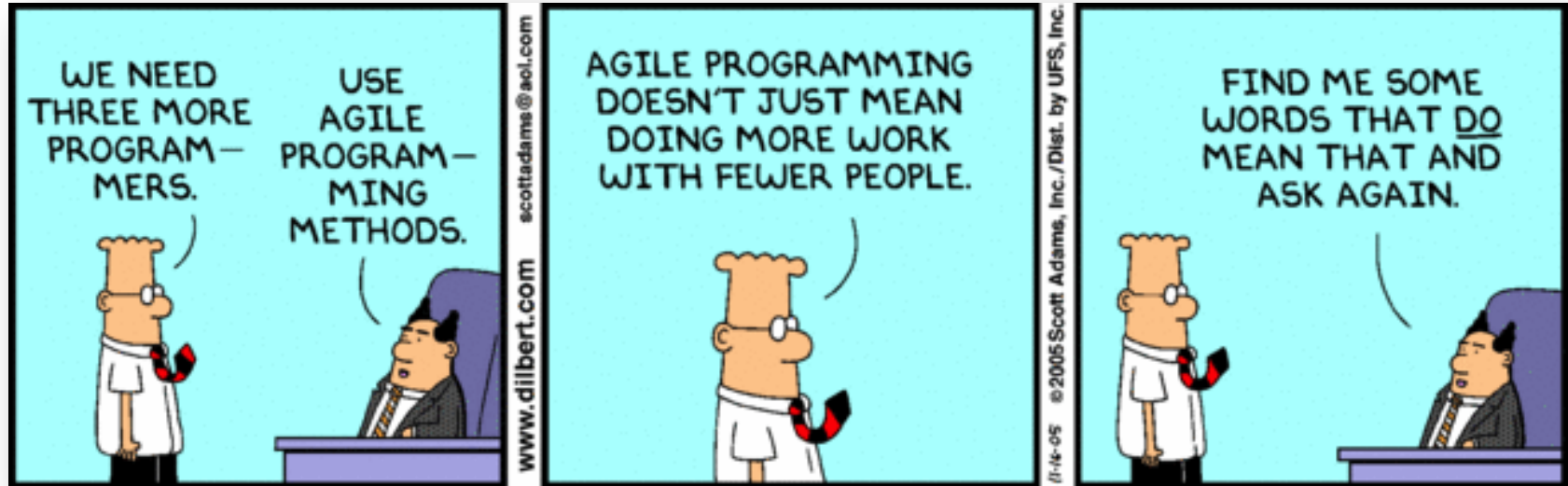




Why developers?

aka Ammunition for Your Next Pitch

The Prevailing Sentiment



What's changed?

1999



2012



DeveloperLand has had bad leadership...

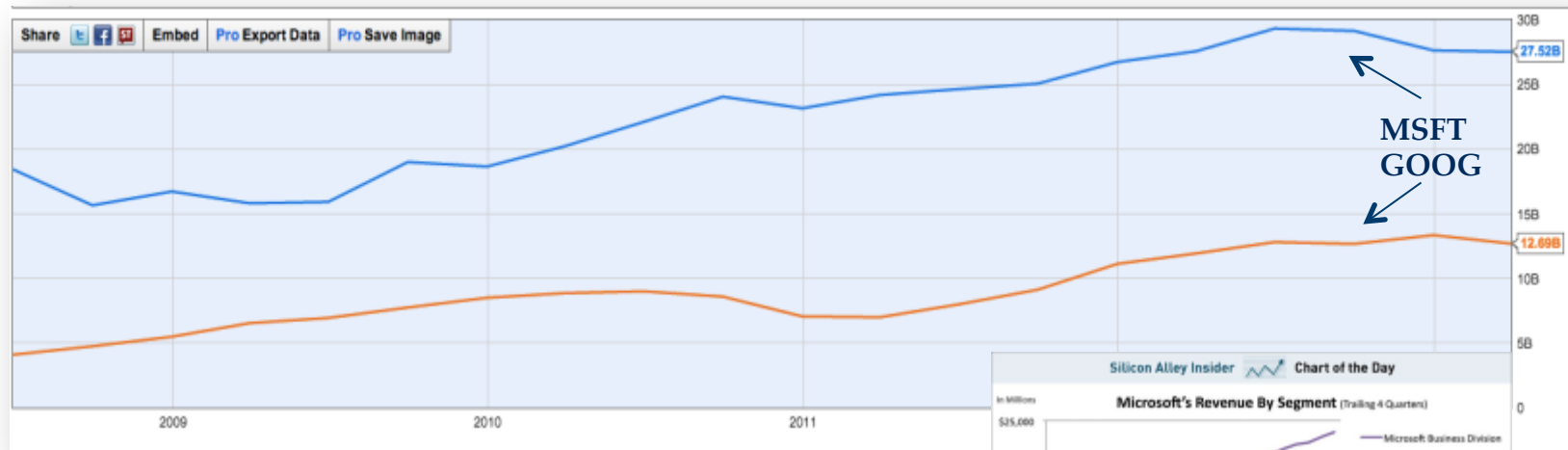


Ballmer did get one thing right!

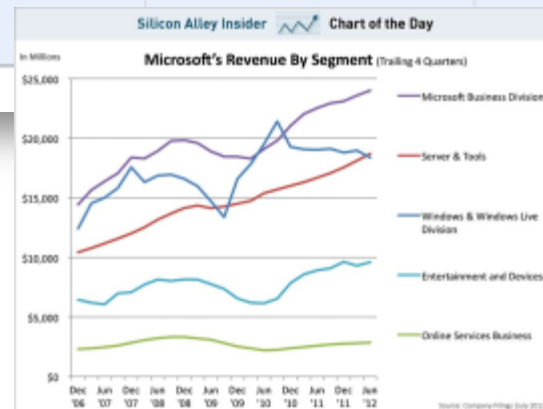


...but owning a developer ecosystem pays immense dividends

TTM Free Cashflow



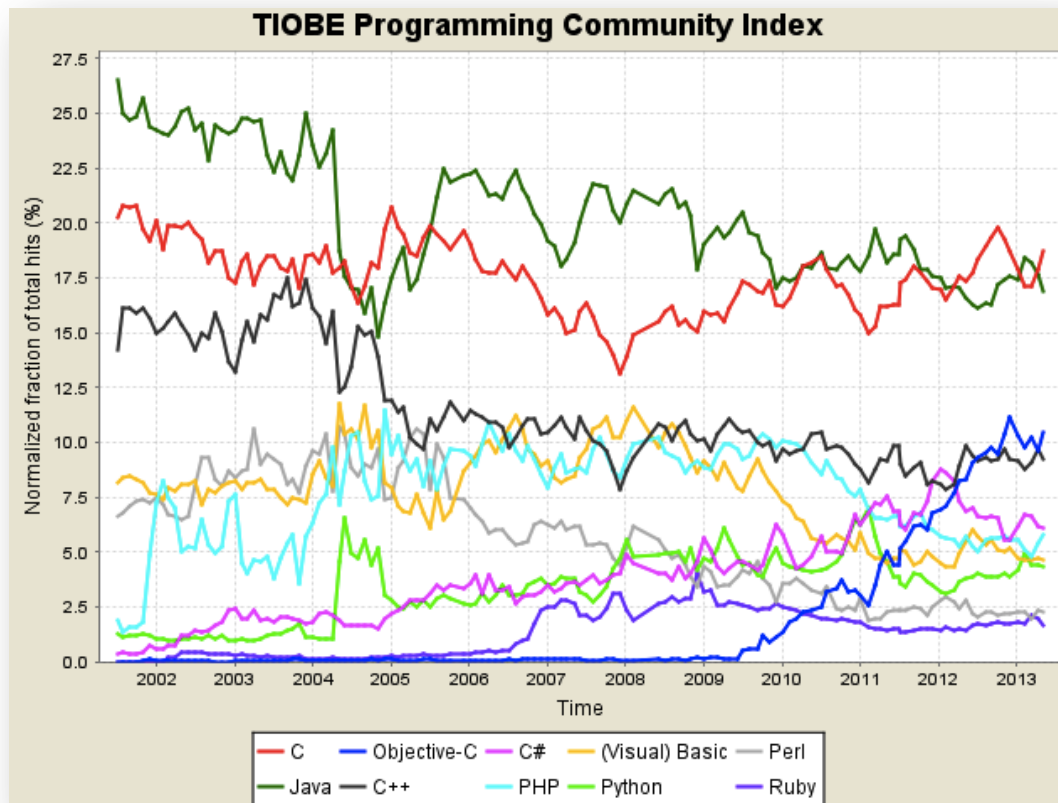
- 7 million .NET developers
- Major investment in Office and Server ecosystem
- Server and Tools division #2 revenue driver after Office (\$19b)





17,000,000

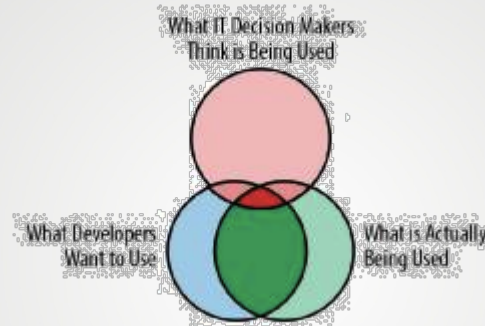
This is bigger than just the cool kids of Silicon Valley



Because they are more central, developers now make spending decisions...



The CIO is the Last to Know



“Developers are now the real decision makers in technology. Learning how to best negotiate with these new kingmakers, therefore could mean the difference between success and failure.”

... with far reaching implications



Developers Rise In Importance

The problem isn't that Oracle and the mega-vendors have lost their hold on CIO affections. They haven't. The problem is that they have little to offer enterprise developers, who increasingly are the gateway to software adoption. Explaining this shift



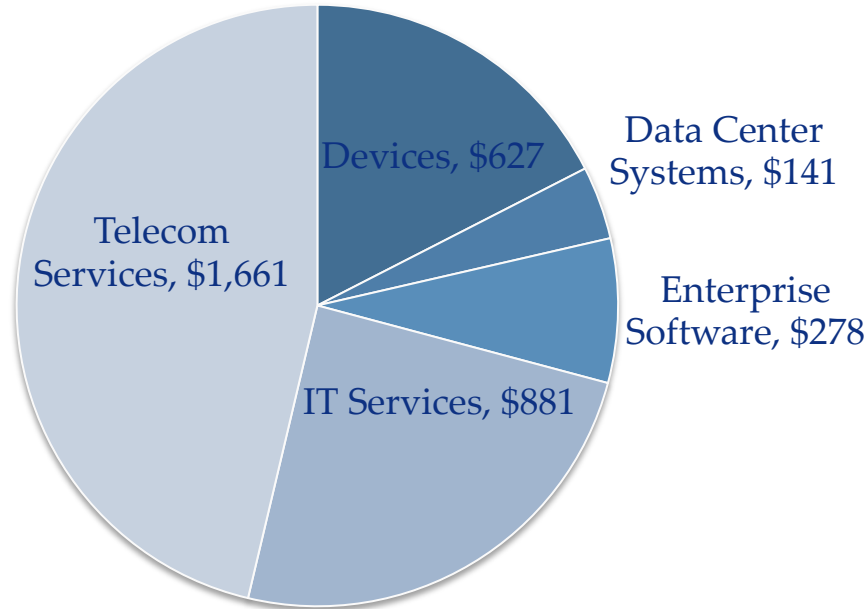
“Developers are a market”

-Jeff Lawson

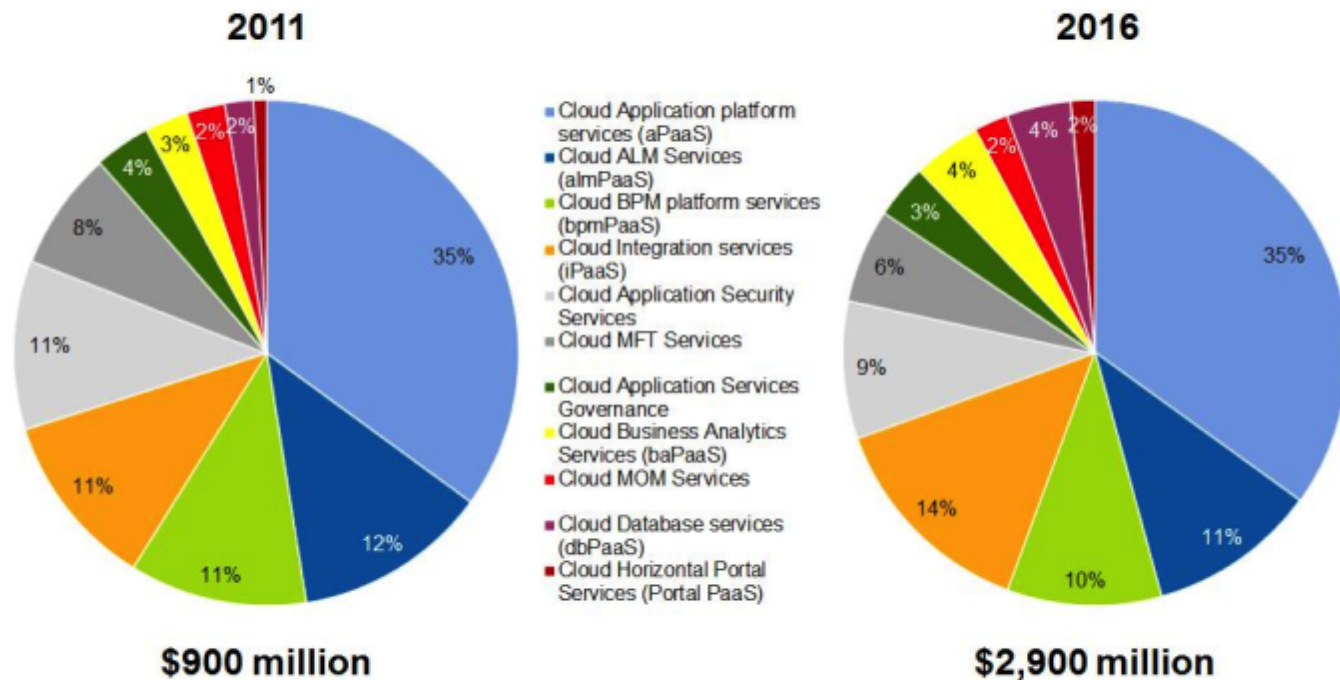
Gartner Says Worldwide IT Spending Forecast to Reach \$3.7 Trillion in 2013

Analysts to Discuss Latest IT Spending Outlook During Complimentary Gartner Webinar

2012 Spending (in \$billions)

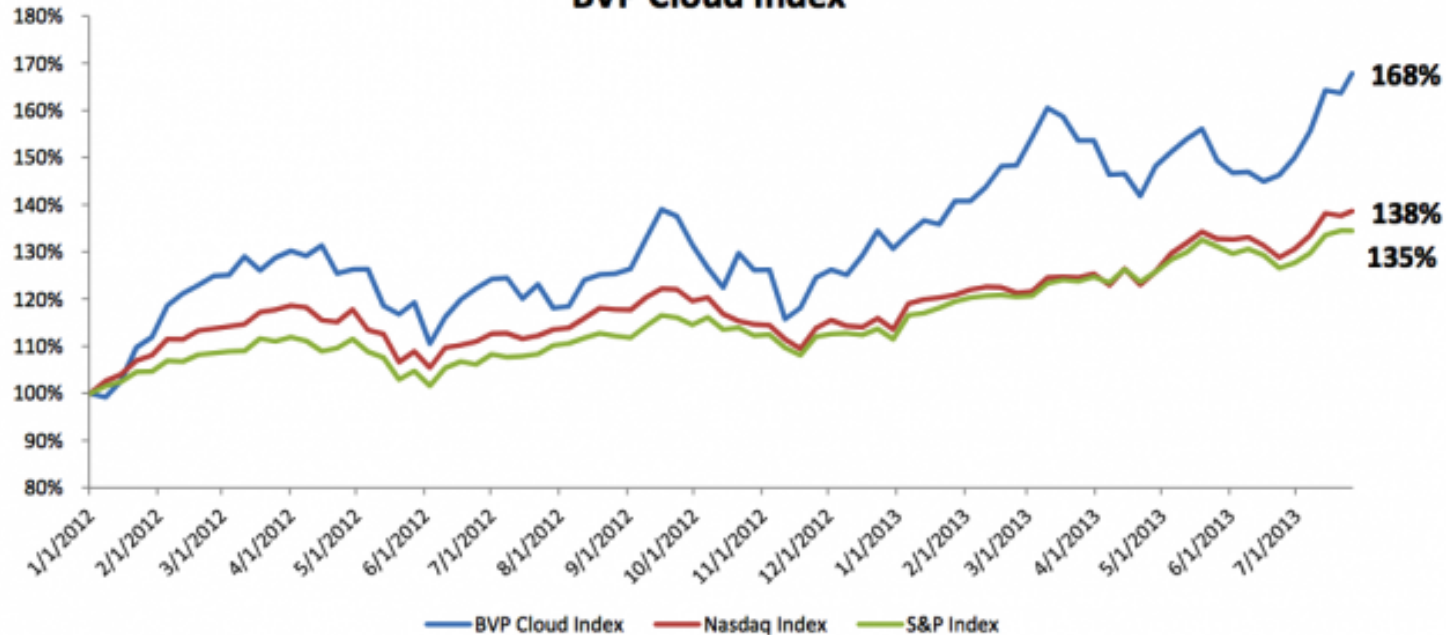


PaaS Market Forecast, 2011-2016



Source: Market Trends Platform as a Service, Worldwide, 2012-2016, 2H12 Update

BVP Cloud Index



Atlassian Software is a strong example

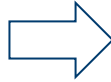


The Beginning	2010	Today
<p>Founded 2002</p> <p>Bootstrapped with \$10k in credit card debt</p> <p>Maker of developer tools like JIRA, Hipchat and Confluence</p> <p>Based in Australia</p> <p>117% revenue growth for 2004-2007</p> <p>NO SALES FORCE</p>	<p>Raised \$60m from Accel in July 2010</p> <p>20,000 customers</p> <p>225 employees</p> <p>\$59m in bookings</p> <p>Profitable every year since founding</p> <p>STILL NO SALES FORCE</p>	<p>500 employees</p> <p>\$120m in revenue</p> <p>Rumored IPO in 2013</p> <p>No sales people until the company hit \$100m in revenue (2011)</p>

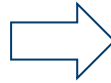


Not just for startups!

Enterprises are coming around – there have already been exits...



~\$180 million



~\$155 million

“This enables us to extend our ... value proposition by liberating developers to securely connect applications to cloud services...”



**\$20+ million in revenue
\$72 million raised**

... meaningful exits...



GIGAom Events Research Jobs paidContent

Home Apple Cleantech Cloud Data Europe Mobile Video

developers / m&a / mobile payments

Behind eBay's \$800M buy: Braintree will replace PayPal's developer platform

by Kevin Fitchard 1 DAY AGO

No Comments

A A

SUMMARY: *PayPal tried to revamp its developer platform this spring for the new mobile commerce reality, but it realized it wasn't moving fast enough. It decided to buy Braintree, which already had sophisticated tools in place.*

tweet this




photo: Shutterstock / Gary Paul Lewis

... and plenty more meaningful exits to come.





What Does BVP Look For?

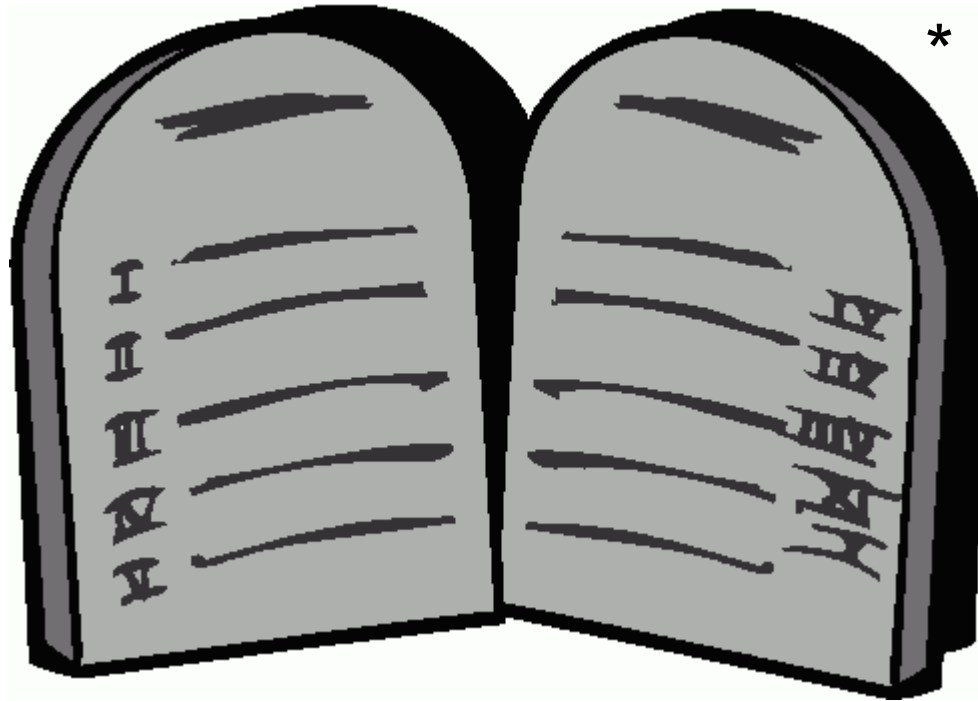
aka Do I Want You to Invest in My Business?



Our latest thinking on the best way to get there

aka....

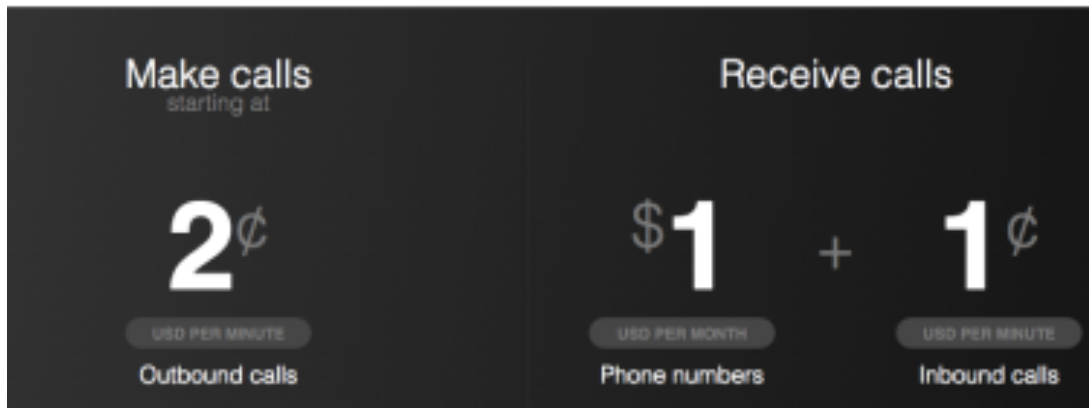
The Seven Commandments of Building the Biggest Business Possible



** Disclaimer: not all commandments must be met!*

Commandment One

Delivered as a service that can be metered.



Commandment Two

Grows with the business.

The Economics of Dropbox on



Tier (GB)	S3 Cost/GB/Month	S3 Cost/Month
1000	\$0.14	\$140.00
50,000	\$0.125	\$6,125.00
500,000	\$0.11	\$49,500.00
1,000,000	\$0.095	\$47,500.00
5,000,000	\$0.08	\$320,000.00
40,000,000	\$0.055	\$1,925,000.00
		\$2,348,265.00

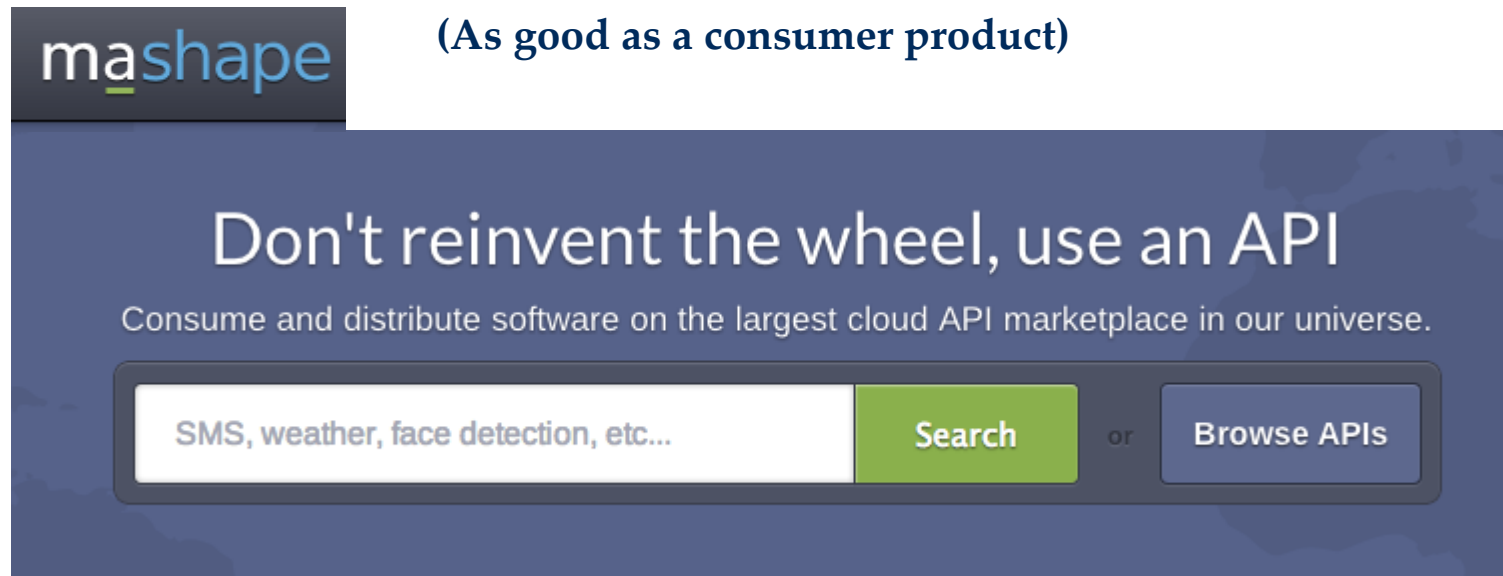
Commandment Three

Replaces something that companies already pay for.



Commandment Four

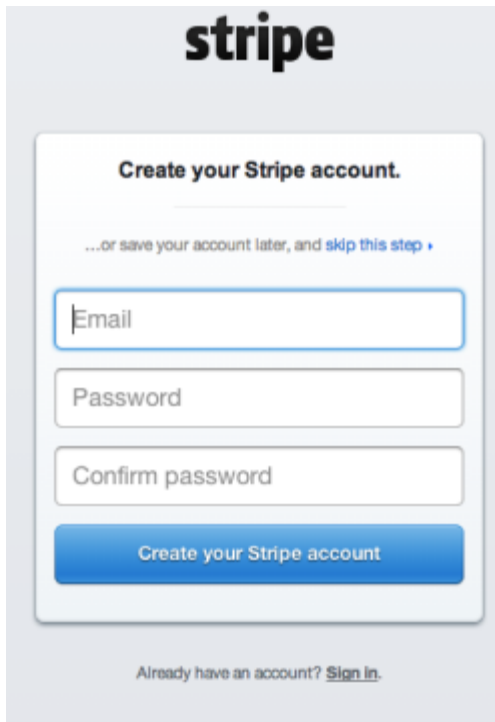
Offers an amazing user experience.



“Even though we're a developer company doesn't mean that developers deserve bad experiences.” - Aghi Marietti, founder of Mashape

Commandment Four

Offers an amazing user experience.



The image shows the Stripe account creation interface. At the top is the 'stripe' logo. Below it is a white box with the heading 'Create your Stripe account.' and a link to skip the step. The form contains three input fields: 'Email', 'Password', and 'Confirm password'. A blue 'Create your Stripe account' button is at the bottom of the form. Below the form is a link for users who already have an account.

stripe

Create your Stripe account.

...or save your account later, and [skip this step](#) »

Email

Password

Confirm password

Create your Stripe account

Already have an account? [Sign in](#).

Commandment Five

Developers love it.

- Twitter/Hacker News love
- Owns a piece of developer mindshare



Geoffrey Simpson
@geoffreysimpson



@twilio Thank you. My company, my livelihood, and my sanity depend on you.

Reply Retweet Favorited



Sanjay Parekh @sanjay

8 Jun

wow, just realized that you can launch a @stripe test account without logging in. then save the account later if you want. brilliant.

Collapse Reply Retweet Favorite More



GitHub @github

31 May

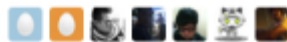
Introducing Octokit [github.com/blog/1517-int...](https://github.com/blog/1517-introducing-octokit)

Followed by zoinkit and 2 others

Collapse Reply Retweet Favorite Pocket More

139
RETWEETS

91
FAVORITES



David Feldt @davidfeldt

26 May

I love what @Twilio is doing. If you're not using them for SMS / voice / customer service / communications, you should be.

Collapse Reply Retweet Favorite More



Nicholas Mercer @oubipaws

6 Jun

Dealing with @stripe as a payment gateway just makes me such a happy developer; Auth.Net isn't bad, but not this awesome.

Collapse Reply Retweet Favorite Pocket More



Jesse @jessescitech

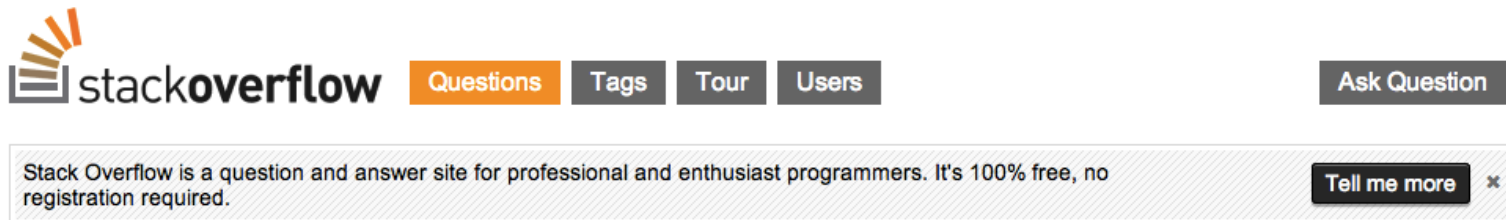
20h

I just bought some awesome swag from the @atlassian Swag Store/ swag.atlassian.com

Collapse Reply Retweet Favorite Pocket More

Commandment Six

Exhibits strong network effects.



What is the best comment in source code you have ever encountered? [closed]

The image is a screenshot of a Stack Overflow question page. The question title is 'What is the best comment in source code you have ever encountered? [closed]'. It has 362 votes and 2302 answers. The question was asked 4 years ago and viewed 126,269 times. A blue banner at the top left says 'Move apps to the cloud. Simple. Flexible. Connected.' with an 'AdChoices' icon. Below the question title, there are links for 'comments' and 'share'. The question was edited on Sep 18 '11 at 1:54. It is a community wiki with 14 revisions, 11 users, and 61% contributed by Robert Harvey. A magnifying glass icon is positioned over a comment. The comment text is: 'It's the last week to promote your app to Windows 8 and win prizes with AppTivate! - now through June 7'. Below the comment, there is a link to a blog post titled 'Podcast #48 - Sponsored by Powdermilk Biscuits'. At the bottom of the page, there is a note: '1 question is now closed, I think 528 "answers" is probably enough, no? :) - Jeff Atwood ♦ Apr 28 '09 at 8:55'.

Commandment Seven

Eliminates the need for non-core skillset that no one enjoys.



Commandment Eight

Democratizes development.

Marketer: "I want to make my Facebook page interactive"

BEG a Developer

Developer learns FBML

Developer sends sample to Marketer

Marketer provides feedback

Developer makes changes

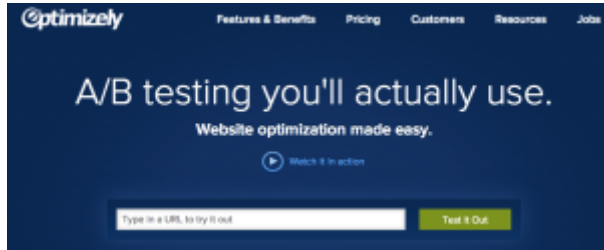
Release v1

Marketer wants changes...



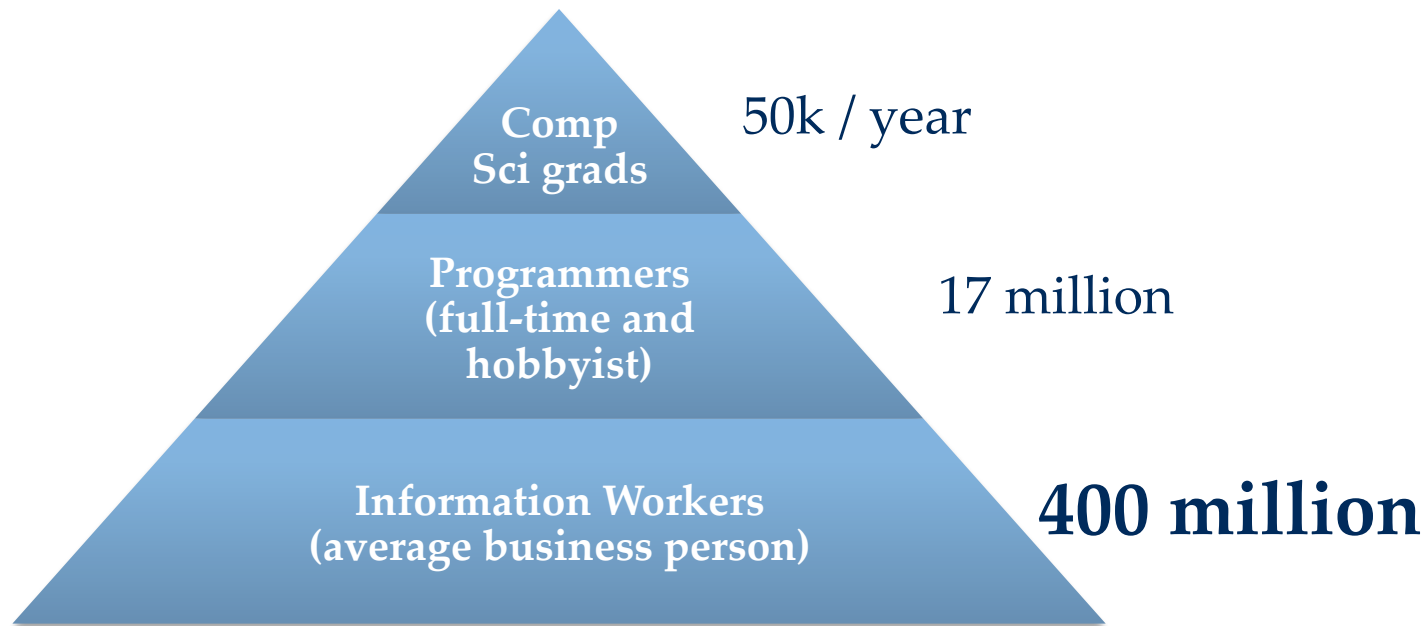
Marketer creates, edits and releases

Another example of democratizing development



- Consumer flow – one click to set up
- IT involved only once – business user in charge thereafter
- Alternative is clunky – and ineffective
- Customer can measure success through metrics (and in this case, \$\$)

Why democratize development?





~~The Seven~~ ^{Eight} Commandments of Building the Biggest Business Possible

1. Delivered as a metered service that can be metered
2. Grows with the business
3. Replaces something that companies already pay for
4. Offers an amazing user experience
5. Developers love it
6. Exhibits strong network effects
7. Eliminates the need for non-core skillset that no one enjoys
8. Democratizes development



** Disclaimer: not all commandments must be met!*

Ok, so what do I need to get funded?



Ok, so what do I need to get funded at Seed Stage?

Does the idea make sense and is the team credible?

Investor Priorities

Team - ★★ ★

Market - ★★ ★

Traction - ★

Performance Measures

Previous exits

Previous experience

Founder dynamic

Magnitude of the opportunity

Experience-opportunity fit

Ok, so what do I need to get funded at Series A?

Does the product achieve the purported value proposition (aka does it work)?
Is the market lucrative (aka how many commandments)?

Investor Priorities

Team - ★★

Market - ★★

Traction - ★★

Performance Measures

Total addressable market

Registered users

Market feedback

Paying (and highly engaged) customers

Growth & churn rate

Ok, so what do I need to get funded at Series B?

Do the unit economics justify scaling the business?

How big is the market?

Investor Priorities

Team - ★

Market - ★★★

Traction - ★★★+

Performance Measures

Total addressable market

CMRR & LTV

Churn, retention , upsell

CAC, LTV/CAC Ratio

Other unit economics



Thank You, 

Ethan Kurzweil
Bessemer Venture Partners



@ethankurz



www.bvp.com/blog



ethankurz [at] bvp.com



linkedin.com/in/ethankurz



pinterest.com/ethankurz



APPENDIX

Why are developer businesses so attractive?

