

## Hometown to World Renown Znode Attracts Attention of British Communications Giant

When Columbus start-up Znode, an e-commerce solutions provider, was purchased by communications giant Yell Group in the UK, no one who had worked with Znode was surprised.

"Not surprised at all," said Greg Moore, former CEO of a start-up backed by leading Silicon Valley venture firm Kleiner Perkins and now General Manager of Liebert's Global Power Business. "It was a winner from the beginning. Everyone continued to see it that way every step they took."

From inception to successful exit, those steps were fueled by the strength of a great idea as well as the founders' determination. Znode's success has become a story of inspiration for other start-ups.

### Starting Up

A long-time entrepreneur who had developed several small ventures in the past, Vish Vishwanathan, Znode's Chief Executive Officer, founded the company with partner and Chief Technology Officer David Chu.

While working with online retailers, Vishwanathan saw the opportunity to innovate current e-commerce offerings and began investigating the marketability of the idea.

When the company was initially funded by TechColumbus and the Ohio Tech Angels Fund (OTAF), its offering included storefront solutions only, and their pitch was for a rapidly deployed flexible storefront platform. The multi-store solution, which was part of the original product roadmap, was rolled out subsequently.

After testing the software with online retail customers, Znode released a licensable version in 2007. It was priced lower than other e-commerce solutions and offered more flexibility and ease of use.

Soon, valuable feedback poured in. "Our approach was to incorporate customer feedback into the product. That is a key aspect of this venture."

Znode's success with those initial clients gave them confidence to explore growing the company more aggressively, which brought them to TechColumbus.

"We already had the product. We already had customers," Vishwanathan said.

"We were going in strong. I had made that mistake in the past, trying to develop a product based on an idea, but having no market potential. That's definitely not the way to go."

### Preparing for Growth

Znode's partnership with TechColumbus provided vital pre-seed funding as well as business-building support.

Greg Moore was an Entrepreneur in Resident (EIR) with TechColumbus at the time, and worked with Vishwanathan and Chu to prepare the company for growth and fundraising.

"When they first came along, we thought 'Internet storefronts – that's a pretty crowded space,' so we were skeptical," Moore said. "But when we saw their creativity and how extensively they had thought through the customer experience, we were impressed."

After carefully honing their message with Moore, "We started doing presentations to angel investors. TechColumbus helped make our presentation more investor-friendly," Vishwanathan said.

A key vision Moore shared resonated with Vishwanathan and Chu. "Think about how you can scale rather than how you can survive."

### Facing the Challenges

Even with a rock-solid presentation and product, Znode experienced bumps in the road, as all start-ups do, especially in a challenging economy. "There were times when we missed revenue," Vishwanathan said. "We had lined up investors who then dropped out because financials came up short."

Other investors questioned whether Vishwanathan and Chu would actually sell the company, and dropped out when they weren't convinced.

"I had reservations about selling for the wrong reasons," said Vishwanathan. "For me, it's not just about an exit, it's also our employees, who've been part of the entire process. I didn't want to sell to someone who then laid them all off."

In keeping with their philosophy of using feedback to strengthen their offering, Znode continued to develop their product and use the comments they had received to bolster their presentation to new potential investors.

### Fueling the Ecosystem

The Ohio TechAngels Fund (OTAF) was one of Znode's investors. Manager John Huston said funding Central Ohio start-ups is an important part of OTAF's mission. "Funding and mentoring Ohio's strongest entrepreneurs are the best way to fuel the area's growth."

Huston was impressed with Znode from the beginning of their partnership with OTAF, and that impression has continued.

"We thought their forecast for their first year was ambitious, but they met it. Actually, they exceeded it," he said. "They had a good grip on the market and knew what their customers needed."

### Strength in Partnership

"If you build a great product and serve the customer," Vishwanathan said, "large companies will be interested in you."

Yell, which owns the Yellow Pages in the United Kingdom and the Yellow Book in the United States, had developed a strategy for increasing their strength in the digital realm by becoming a local online e-marketplace leader. Znode's unique product drew – and held – their attention.

The new partnership will give Znode a bigger brand name and access to the resources of a \$3.2 billion company, including robust marketing and IT teams. "We realized that this partnership is

how Znode can scale to become a global platform."

While serving as Yell's e-commerce platform, Znode will remain in Central Ohio, becoming an integral part of the area's tech economy.

"Yell has offices all over the world," Vishwanathan said, "and they recognize that we have a very effective team here." As part of Znode's partnership with Yell, Vishwanathan's title changed to Executive Vice President and General Manager, while Chu's became Senior Vice President.

### On the Rise

Znode's recent inclusion as #223 on the INC 500 Top Fastest Growing Companies list solidifies its standing as a company to watch.



Among software companies, Znode earned a #21 ranking on the list, and in Metro Columbus, they're #1. "There are many leading companies on that list, like Oracle and Intuit," said Vishwanathan. "We are very honored."

### Inspiring Others

Entrepreneurs looking for a playbook would do well to take note of Znode's story. Developing a strong product from a great idea, testing that product with customers and modifying it accordingly before seeking financial backing put the company on a solid path to success.

"It's the basics," Vishwanathan said. "It takes a lot of hard work, a lot of pain. And even though business plans are considered 'old school,' they are extremely important. When you write them, you have to think about funding, the marketplace, how to grow your business and your end customer."

While many people have great ideas, not all can translate them into the success of Znode. A solid plan, customer orientation, and dogged determination go a long way, but there's one more crucial element.

"Hire skilled people," Vishwanathan said. "Don't try to do everything yourself. Good people will help you succeed. We're successful at Znode because of our fantastic team."



Vish Vishwanathan,  
Znode's Chief Executive Officer



David Chu,  
Znode's Chief Technology Officer

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