The best years are still ahead of us

Gartner classifies CodeNOW as a VSDP (Value Stream Delivery Platform) provider offering solutions for the continuous delivery of applications and software. VSDP is likely to be adopted by more than half of organizations over the next two years, especially those that have already adopted an agile or DevOps approach and are hosting their applications in the cloud. CodeNow is listed among VSDP vendors in the Gartner reports together with the likes of Microsoft, RedHat, VMware, and Google. We asked CodeNow CEO Petr Svoboda about the biggest challenges the company has faced on its journey from local to European and, most recently, North American customers and how are analysts helping them in overcoming these challenges.

In previous interviews, such as the one published by your Investor J&T Ventures (link below the article), you mentioned that CodeNOW was born out of a contract for a banking client – that was about four or five years ago. How is CodeNOW as a service today different from your original or initial ideas?

CodeNOW has changed and expanded a lot – in the original version, it was actually an on-premises solution running on-premises, while today we can run CodeNOW in all major clouds such as AWS, GCP, Azure, or Digital Ocean. Similarly, in addition to the original OpenStack technology, today we also support VMware Tanzu and OpenShift as a managed Kubernetes environment. In terms of where CodeNOW can be deployed, we've increased our target market five – to seven-fold, and from a customer perspective, it's also possible to make much better use of the investments they've already made in the cloud.

But this also means that the variety or mix of potential clients has changed, and in addition to large enterprises or the enterprise segment, can you now also serve medium-sized customers?

Yes, exactly.

After only two years – in 2020 – you were already in the Deloitte Technology Fast CE chart, growing, I think, by more than a thousand percent. Was that still growth from the Czech market, or had you already started to offer cloud deployment solutions to foreign customers by then?

At that time, we were focused on two main areas – one was professional services in the area of cloud delivery, and the other was already the revenue from the product that we were offering to foreign customers and implementing, for example, a large B2B platform for the automotive sector in eighteen countries.

In 2021, Gartner analysts included you in the first research – back then it was the Hype Cycle for Agile and DevOps development and some other reports. What was your journey to Gartner, the discovery of it, actually like?

The Czech representative office played an active role. We didn't know much about Gartner until then, but we were aware that we couldn't scale the company in a structured and sophisticated way. Both I and my co-founders have more of a technical background – we are IT guys, and suddenly we had to deal with things like buying personas, ideal customer profile, segmentation, and go-to-market strategy – none of us had ever seen it, but it was clear that we had to master it. And when we found out that Gartner offered the Tech CEO framework, it was a match for us. Offering a service that guides the founder – the CEO of a tech company – through everything he doesn't know that needs to be addressed in the company, and we loved that.

So basically, a helpful insight both on the product side and its positioning in the market, as well as in terms of sales strategy?

Exactly, a combination of sales and marketing.

Was there any effect from the fact that you attracted the attention of analysts and appeared in reports quite early on? Did it show up, for example, in the way some customers approached you?

There have been clients who have contacted us basically just based on being featured in a research study – for example, an international logistics company where we are currently in the pilot phase. And especially in the North American market, where we are currently trying to build up our presence, this gives us a lot of credibility, I would say.

Petr Svoboda, CEO CodeNOW

Prior to founding Stratox and CodeNOW, he was an IT architect at IBM between 2009 and 2015, and prior to that, he was CIO at Oxygen Solutions and the Department of Education's CZVV. Stratox and CodeNOW are not his first startup; that was MOV Technologies, founded in Kansas City in 2001 and specializing in online analytics and other IT support services for greyhound racing betting systems (the company had to shut down after a year due to legal restrictions).

Your expansion into the US is also linked to the entry of new investors in the past year. Did you have to make any significant changes to the product itself or other aspects before entering the US market?

The changes on the product side were only slight – the major being the addition of support for AWS, which is the dominant player in North America with about 70% of the target market. But what we mainly had to start addressing is a whole new way of explaining the benefits and value of the product – i.e. the value proposition and how to sell it in general. Actually, we found that it was too early for us to target the US enterprise segment, that we are simply too small for that yet.

This is something I would like to know more about – how can a relatively small Czech company compete in a market where you are up against Microsoft, RedHat, VMware, and Google, all of whom stand directly against you in Gartner reports? Maybe, is one of the important differences that you are completely open source? Or how does it work to play against the giants?

It depends on the particular market segment. For scale-up or midmarket companies, the tools of the big players can be expensive or implementation-intensive, whereas we offer essentially a turnkey solution that we can deploy very quickly and at low cost, and we offer very competitive pricing. Qualitatively, I think we are the same, if not better

the optimal product-market fit, and when we find it, it will probably be time to move to a product model. But I think we will also need a lot more money for that transition. In other words, we need to grow ourselves first, so that we are ready for the next round of funding, and then we can consider such a change.

What is your vision for the company and ultimately for you personally, where do you see it and yourself in two or three years, or five years?

I think we are just at the beginning and the best years are ahead of us. I'm looking forward to further developing and building the company and growing and scaling in Northern America – that will be a real adventure and challenge. We expect the real boom in our market, that is, in agile development for microservices, to come soon. We have, just unlike the big players with a broad footprint, quite a mature product capable of meeting the specific requirements of customers who need to drive agile development for microservices as part of their digital transformation. And in two to five years, I would like to see us become an established brand even in the US market, not having to fight for our place in the sun, and being able to focus mainly on how to offer value to our clients, enabling them to shorten development, improve the quality of the software, eliminate the unnecessary work, and enable them to focus on the productive, core business.

You started using analysts quite early on in CodeNOW – before the first "external" capital came in. What would you recommend to others who may be in a similar position as you were a few years ago? When is the right time to start addressing topics such as vendor briefings, managing relationships with analysts, or considering becoming a Gartner client?

I would say the moment you have your first two customers and you're figuring out how to get more, that's the right time. Especially if the company doesn't have a person on the board with marketing experience, or better yet, B2B software sales experience and some kind of expansion or growth experience. That's when I'd go for it – not least because hiring someone like that is a huge challenge.

A previous interview with Petr Svoboda (conducted in January 2022) can be found on the J&T Ventures website (in Czech): www.jtventures.cz/blog/codenow

in terms of developer experience. For us, the most important thing is that the experience of a developer who works with our tools every day is a positive one – that they enjoy their work and have an easier life. I dare say that our customers appreciate how much effort we put into this area. Finally, we are focusing on clients who work with microservice, event-driven, cloud-native architectures. The competition certainly offers a wider range of options, but we are better at what we specialize in.

Your bet on open source – is that also a way to compete with the big players? Or are there other reasons behind it?

Open source offers two major advantages – one for the customer and one for us. The first is the issue of vendor lock-in and the natural fear of every client, what happens if a start-up like CodeNOW vanishes off the face of the earth and they have invested a lot of financial and human resources – what happens then? Thanks to open source, the exit strategy in situations like this is quite clear. The second reason has to do with the fact that even when using a number of off-the-shelf OSS components, we have put over ten thousand

man-days into CodeNOW. If we wanted to build a functional equivalent of Open Shift, then we're talking multiples, so ten, fifteen, or more million dollars in investment. And to build another proprietary platform and have essentially no competitive advantage over the existing ones doesn't make sense. Moreover, we can use a lot of open-source components from the big players – our competitors, which have been improved and upgraded by the open source community, and their development and innovation are in some cases moving forward faster than with proprietary solutions and tools.

Here in the Czech Republic and in Europe, you started with solutions for large clients, but you mentioned that the midmarket is a better target market for you in the US. So, are you working today with PLG – product-driven growth sales model and SLG – sales-led or sales department-led sales models simultaneously? I noticed that you are also offering some trials, so which strategy is predominant today, product or sales?

We still have a business, salesforce model – however, I would say that we are still in a situation or phase where we are looking for