BigCommerce Holdings(UPDATE)
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Corporate Speakers

- Tyler Duncan; BigCommerce; Senior Director of Finance and Investor Relations
- Brent Bellm; BigCommerce; Chief Executive Officer
- Travis Hess; BigCommerce; President
- Brian Dhatt; BigCommerce; Chief Technology Officer
- Daniel Lentz; BigCommerce; Chief Financial Officer

Participants

- Scott Berg; Needham; Analyst
- John Messina; Raymond James; Analyst
- Ken Wong; Oppenheimer; Analyst
- Chris Kuntarich; UBS; Analyst
- Maddie Schrage; KeyBanc; Analyst
- Matt Kikkert; Stifel; Analyst
- Isaac Piliavin; Barclays; Analyst

PRESENTATION

Tyler Duncan^ All right, good afternoon, everybody. Welcome to the sell-side Q&A segment of our BigSummit event. I'm Tyler Duncan, Senior Director of Finance and Investor Relations. I'll be your emcee for today's session.

As a reminder, today's discussion may include forward-looking statements about our business and our future plans. These statements are based on our current views and may differ from actual results.

Risks and uncertainties related to our business are discussed in more detail in our SEC filings. This afternoon's format will feature four individual 30-minute Q&A sessions with executives from BigCommerce.

Questions will be taken exclusively from our live audience of sell-side analysts. I will begin each session by addressing one or two of the most frequently asked questions we receive, after which we will dedicate the remainder of our time to your questions.

For those of you in our room, as you have a question, please raise your hand, and we'll make our way to you with our microphone. On our agenda, we are excited to have with us BigCommerce's Chairman and CEO, Brent Bellm; our President, Travis Hess; our Chief Technology Officer, Brian Dhatt; and our Chief Financial Officer, Daniel Lentz.

So let's begin with our first speaker, Brent Bellm. Brent, thanks for taking the time out of your BigSummit event to answer some questions.

Brent Bellm^ Great to be here. Thanks for hosting.

Tyler Duncan^ To kick us off, can you tell us a little bit about what the BigSummit event is and how you think it's going so far?

Brent Bellm^ Yes. BigSummit is our annual major conference in the Americas. We also have one every year in Europe. That was London in April, and one in Australia Pacific. Sydney will be next month. Historically, BigSummit has been exclusively a partner event, meaning agency and system integrator partners and technology partners. This is the first year that we've expanded in all three continents, our summits to also include customers and prospects.

What's so exciting about this one here in Austin is, among other things, the venue. We have rented out the Moody Theater, home of Austin City Limits. For those who don't know what that is, it is the world's longest-running musical TV show, founded 50 years ago by the local PBS Public Broadcasting System affiliate in Austin. Willie Nelson was the original marquee guest at that event. Willie has since appeared another 14 times. He holds a record of 15 appearances. You can see these broadcasts all over the world on PBS and affiliated networks.

This is the house that Willie built, this actual venue. The concert venue has been the home of Austin City Limits for the last, I think, 14 years, again out of a 50-year program. I've been to many dozens of concerts here, always looking down on the stage, and sometimes I dream about being on the stage. Today that dream was fulfilled, but with no musical accompaniment from me.

How is it going, to your question, I think the energy is incredible, and part of the energy is also coming from a new set of leadership on the go-to-market team. So Travis Hess, our president as of three months ago, brought, I think, an unprecedented energy to the stage around how we are going to transform our ability to market, sell, and service our product.

He introduced a new global head of customer service, professional service, technical service in Ryan Means, who comes to us after many years being the CTO of Merkle and Dentsu, one of the top couple global system integrators in e-commerce. He's a real legend in the industry. We talked about John Huntington, who is our new senior vice president of global partnerships. So we're bringing in a level of talent and experience into key roles on the go-to-market side, thanks to Travis, that are not just novel for us, but I would argue for any e-commerce platform.

Tyler Duncan^ Very nice. Thanks, Brent.

One more before we open it up to live Q&A. What do you see as the biggest opportunities and challenges facing e-commerce?

Brent Bellm^ The number one biggest opportunity is simply getting the messaging and positioning in the market nailed. As I, you know, tried to share on stage, the outside-in evaluation of our capabilities show us, as one of the one or two leaders in enterprise B2C, in B2B, in omnichannel enablement, and in composable technology. But our market presence and market share are not commensurate with where the quality and the leadership of the product are.

It has taken time to earn our way to this. It takes years to transform a small business product into a global leader in enterprise e-commerce, and the market awareness is usually lagging the product capabilities.

The product capabilities are there and best in market for meaningful subsets, and just getting the word out and getting market share to kind of catch up with where the product is, is our single biggest opportunity, and I think we were bringing in the types of changes and leadership on the go-to-market side to help us accomplish that.

Tyler Duncan^ Great. Thanks, Brent. For those in the room, if you have a question, please raise your hand.

And for the recorded call, if you could introduce yourself and let us know who you're with?

Scott Berg^ Great. Thanks for having us. Scott Berg at Needham. Brent, why don't we start off with that last statement that you just made, market awareness and brand building.

Obviously, you've made some new hires, but what are the details of what that plan looks like? I think that's a question I get frequently, is how do you improve that? Because it's certainly an area that you all have discussed recently as an area of improvement that you think you need to move towards.

Brent Bellm^ Yes, it's kind of three areas. It's people, structural, and communication. On the people side, it begins with bringing in, in select roles, people who are true e-commerce veterans, who have, from the outside in, worked with the leading competitors of ours, built giant networks in the industry. It's not just Travis. It's Tom Armstrong, our head of enterprise sales in the Americas. Everybody knows and respects them.

And when they see them betting their reputation and their careers, saying, "I believe BigCommerce is the best, not just platform in the world, but the best career bet that I can make," including folks that are in the later stages of their careers, everybody suddenly opened their eyes and say, "They've looked under the hood. What am I missing? What is it that they now see?" And then they listen to them as they go out and deliver that messaging.

So bringing in that talent from the outside and assembling, you know, completing what I would call a dream team is number one.

The second part of it is structural. There were things about how we have organized and approached go-to-market historically that were evolutions of when we were a small business company, when we were a mid-market company, whether that's, you know, how we ran professional services versus account management, where we spent our marketing dollars, the functions that we actually had on the sales side.

You know, did we actually have a team that centralized the messaging and positioning, for example, for B2C or for small business? Historically, we didn't have that, and so we are organizing in ways that are optimal for an enterprise software company.

And then the third thing is on the messaging and positioning, absolutely nailing that. And what we're finding is we've got to bring in the outside expertise, the folks that aren't looking at the world from our lens because we've been doing that from the beginning, but who come in from the competitive ecosystems and can say, well, this is actually where you guys are best. These are the ICPs to focus on. This is where the competition is weaker. And so, nailing that messaging and positioning for where BigCommerce is and is going, not where we were five years ago.

QUESTIONS AND ANSWERS

John Messina^ Hi, John Messina, Raymond James. Just following up on that, looking at the demand profile, if you had to stack rate demand, where are you seeing the most demand currently? And I realize they're not mutually exclusive, but is it international? Is it B2B? Is it headless, omni-channel? I'm just curious how that's evolved as we've gone throughout the year.

Brent Bellm^ Yes, I would say the most exciting accelerator in demand is coming from B2B. B2B for enterprise sales has almost become disproportionately successful for us. So in the broader platform industry, it's roughly 60/40 of the spend on B2C versus B2B. And for new sales, we're seeing a higher than 40% traction for B2B. So that's sort of segments. Then in enterprise B2C, composable is really starting to take off now that catalyst is getting in the market. You know, we talked in the most recent earning calls about great examples like Bell's, but I'm out there in the audience hearing story after story after story of new catalyst builds. And again, catalyst is our Next.js React reference architecture for composable builds. That's going to drive so much growth in the future for us, B2C and B2B.

And then, you know, finally, we're seeing really nice signs of pipeline growth in Europe in particular, and now it's the completion of our multi-geographic capabilities, which that market really needs to be successful given all the countries and languages and currencies.

Ken Wong^ Brent, one of the more interesting slides you put up there --

Brent Bellm^ Ken Wong?

Ken Wong^ Oh, sorry about that. Ken Wong from Oppenheimer. I hate that part.

Anyways, one of the more interesting slides you put up there was when you segmented the market by the digitally native, the brand and manufacturer, multi-brand and store-based, and how kind of the contribution to overall GMV. When you think about the market now, you guys have obviously pivoted more upmarket. You know, where is, at a high level, the BigCommerce revenue coming from? Like, as we look forward, like where do you envision the mix of revenue coming from across those four buckets?

Brent Bellm^ Yes, so the analysis we did had both count and GMV for four big buckets of B2C-type sellers, digital native direct-to-consumer brands, who are 24% of the IR top 1,000 websites by count, but only 5% of the GMV. Legacy branded manufacturers were, if memory serves, 18% of the count and 11% of the GMV.

So in total, you get more than 40% of all of the brands in the top 1,000 by count being a branded manufacturer, either legacy or digital native, but only 15% of the GMV. The other 85% are coming from store-based retailers and multi-brand online retailers. Those are the two most complex use cases, and I would say five years ago, ten years ago, the ones that we were furthest away from being able to serve successfully.

The point I wanted to emphasize to everybody in the audience is that 85% of the enterprise market is now the one that we are demonstrating, not just the most traction in, but the best and most revolutionary case studies.

So in the last earnings announcement, three of the five big B2C announcements we had were market-leading, multi-brand online retailers, the RealReal in the US, largest luxury apparel site, and then Soletrader and Sports Shoes in Europe. Two of them were store-based retailers, Bells of Florida, more than 650 stores across three or four different brands. It's an extraordinary case study because they got off of IBM WebSphere, onto BigCommerce, in only three months' time, using Catalyst. Nobody would have thought that possible historically, but they pulled that off at the same time.

Another one of our customers got off IBM WebSphere in Europe in four months. We have another big store-based retailer going live next week from contract signature to live in four months, and it's extraordinarily complex because of all of the interactions with the stores and the installers behind their product.

These original systems would have taken years to implement, millions of dollars. They're getting off them in a few months, getting on Best of Breed tech stack, lowering their cost, dramatically improving their consumer experience online. And again, I'm going back to the segmentation. These are in multi-brand online retailers and store-based retailers. The most complex use cases, we've matured to the point now where we can nail those, and that's where 85% of the GMV is in the top 1,000 online retailers.

So anybody who looks at us historically and thinks that, oh, you just extrapolate past segments, past ICP, past financials, is missing not just where the puck is going, but frankly where the puck is in Q2, right, just using that earnings as an example.

Chris Kuntarich^ Thanks. Chris Kuntarich at UBS.

I just want to talk about go-to-market as it relates to Makeswift and how we should be thinking about that within the broader BigCommerce opportunity and whether there's an opportunity for this to really be a standalone brand.

Brent Bellm^ The answer is yes, a huge opportunity, but this is how we are thinking of phasing it. For those unfamiliar, Makeswift is arguably the best visual editor, no-low-code visual editor created for Next.js websites. It's so good that Guillermo, the founder of Next.js, the founder/CEO of Vercel, had been an investor in them.

We used it to rebuild our own marketing website and then made it a cornerstone of our composable and soon even hosted front-end storefront strategy, because it's a one-two combo. You give the developers and technologists of our customers the world's best frameworks to work with, Next.js and React, and then give the marketers and merchandisers the best multiplayer visual editor that lets them add, modify, change content pages without developer dependencies. That's what Makeswift does.

Now to your question, there's sort of phase one, which is integrating fully Makeswift into our Catalyst composable offering. Phase two is bringing that all into our control panel even for hosted stores, you know, stores that never leave the control panel, use us for hosting, but are on Catalyst and on Makeswift. Think of it as like a page builder but for Catalyst.

And then there's phase three with those completed going back to their original target, which are marketing websites, content websites. That's what they were originally built for. The extra work is fully integrating them into a commerce offering, but everything we're doing also has benefit for the original use case of content websites.

And so can then Makeswift, after getting the scale and all this added functionality and enterprise functionality from commerce, then continue and go back to competing against Webflow and other page builders? The answer is absolutely. And, you know, we'll continue to argue it's the world's best for Next.js websites. And that set of frameworks is, you know, extraordinarily popular today. So it's a potential large TAM expansion in the future, but purposefully not one we're trying to take advantage of until we're done with the commerce buildout.

Maddie Schrage^ Hey, Maddie Schrage with KeyBanc. Thanks for taking the question.

Just kind of wanted to talk about the buckets again, the four that you guys mentioned earlier. Out of those existing buckets, could you talk through the cross-sell motion for each of those segments and kind of what type of ARPA lift you could get by cross-selling into those channels?

Brent Bellm^ Say more about what you mean by cross-sell.

Maddie Schrage^ So if you have, for example, a multi-brand online retailer already, and you guys are looking to expand those contracts with those existing merchants, could you talk through what additional things you could sell to them to kind of get that ARPA uplift?

Brent Bellm^ Yes. I'm going to think about this live. Sometimes the biggest cross-sell examples will be with branded manufacturers because oftentimes branded manufacturers are conglomerates of brands. Take Procter & Gamble, as an example, long-time client of ours, you know, 50-plus stores, most of their leading brands on five continents with BigCommerce. Like, you know, you'll see Gillette.com, Olay, Oral-B, Old Spice, long list of P&G brands.

Adding geographies, adding brands, adding use cases B2B to B2C, lots of expansion opportunity when you get a foot in the door. In some ways, I would argue that industrial conglomerates are even better in that regard on the B2B side. A store-based retailer, most store-based retailers have a limited number of brands, a limited number of geographies.

And so you get I would argue a lot of the size of the opportunity up front in some cases are already somewhat mature online, but then the expansion comes from Things like PSR right adding payments adding other partner products in shipping and marketing automation To their mix so PSR tends to be the bigger expansion opportunity with a store-based retailer multi-brand online retailers that tends to be a bit more geographic, but again, they're usually big and a category leader by the time we get them.

So it's a long winded way. I'm sort of thinking out loud I think branded manufacturers tend to have the most MRR and store count expansion opportunities whereas you tend to get an awful lot of size and volume out the door with store-based retailers and multi-brand online retailers that PSR is a great cross sell.

Matt Kikkert^ Hi, Matt Kikkert with Stifel. Thank you for hosting all of us. Could you provide an update on the broader e-commerce landscape and macro factors you are seeing? Factors within your control appear to be trending positively, but what about any factors that are outside of your control and your take on those? Thank you.

Brent Bellm^ Yes the Anchor thing I always start with is The GMV growth in e-commerce which for the last three years has been in the mid to high single digits. You know US Department of Commerce keeps reporting e-commerce growth rates in the fifth, 5% to 8% range. Prior to the pandemic it was metronomically 12% to 15%.

Will it ever go back to double digits? I don't know but by the time you're in your third year lapping and lapping again. I think you know, we're in the high single day. That's a lot better than consumer spend in aggregate, retail, which is low single digits, but it's not the double-digit growth it used to be.

On the supply side, with high interest rates, high inflation, the focus on profitability, there have been an awful lot of migration and launch projects postponed or canceled over the last several years on the supply side and they can't be put off forever. I think there's actually a giant opportunity for us because many companies who may be first implemented e-commerce or second implemented commerce ten years ago know they need to get off their legacy tech have been delaying because the upfront costs of migrations are high.

And what we're trying to say to the market with examples like the ones I mentioned earlier is you can do it at speeds and success rates that are unprecedented in e-commerce history, to get off really big legacy tech or custom platforms and do it in three or four months and then suddenly have caught, cut your development costs on an ongoing basis by 90% your operating costs by 30% to 50%, that's exceptional. And in some ways I might actually be grateful that the market had put pause on a lot of these migrations because our platform was catching up and maturing to the point where we've proven we can take on the legacy tech and get it off that and do it quickly and successfully.

So will we start to see those opportunities come in? You know, it's our objective with the improved go-to-market and case studies like the ones I mentioned that, you know, we start to bring in a lot of opportunities that historically we might not have been 100% ready to serve efficiently.

Isaac Piliavin^ This is Isaac Piliavin on behalf of Raimo from Barclays, thanks for having us.

If I think about you know, you just called out sort of the competitive environment a little bit, you talked about the web sphere migrations, for example. Looking at the competitive landscape more broadly, how much of your ideal customer profile at this point is still greenfield versus the more competitive win where you're maybe going through a catalog transfer, and then how does that differ on the B2C side versus the B2B side?

Brent Bellm^ Yes on the B2B side a lot more of it is greenfield. There are still a very, very large number of B2B companies who are late adopters of e-commerce or have only partially adopted, limited number of brands, live in other geographies, limited number of use cases.

So B2B is tons of greenfield and I love our product because it just it makes B2B fast, easy, and beautiful for both the suppliers and the buyers. On the B2C side, it is you know much more at this point migration in those use cases I talked about, right? There's not a lot of room for a brand new multi-brand category specialist online retailer.

People staked out those positions years ago, but they're on legacy tech in the overwhelming majority of situations. We also analyze, you know the actual market share and in store based retail and in multi-category online retail.

The significant majority of sites are still on custom long-tail platforms legacy tech, it's only a small minority that's on a modern SaaS platform. So tons of opportunities still in companies who need to move despite all of that. And then, you know, branded manufacturers is still a mixed bag because a lot of branded manufacturers are still adding geographies, adding brands, so in the branded manufacturer side, it's a better mix of migrations and new launches.

Tyler Duncan^ All right, I think that concludes our session with Brent here today.

Brent well, thank you very much for the time and we appreciate it.

Brent Bellm^ Thanks, everyone.

Tyler Duncan^ All right next we're going to have Travis Hess come up to the stage.

So as Travis makes his way up here I want to give a brief introduction for him, Travis is our BigCommerce president. He leads our global strategic and operational expansion with full responsibility for the functions that market sell and service our suite of products.

Prior to joining BigCommerce, Travis worked at Accenture as a managing director leading the firm's direct-to-consumer commerce offering and go-to-market strategy. He also managed Accenture's Shopify partnership globally. Travis previously served on partner advisory boards for Shopify, Klaviyo, SAP Hybris, and Rackspace and was recognized as one of the 30 most influential in e-commerce by Signifyd in 2022.

Thanks for joining us Travis.

Travis Hess^ Thanks man, appreciate it.

Tyler Duncan^ All right, so let's dive in.

Can you talk to us a little bit about why you decide to come to BigCommerce and what have you seen so far in the first couple months of being here?

Travis Hess^   Yes, I think I talked a little bit about on stage today. I think an opportunity to disrupt the industry with this platform versus everything else I saw there and I've been involved with in the last 20 years in the space. A really underrepresented Product based on the capacity and the capability of the products while the vision as it relates to market share So really, you know a lot of upside quite tangibly.

I thought the acquisitions of Feedonomics and Makeswift really rounded out a more broader capability and solution as a multi-product software company particularly around revenue optimization. I think you know feature and functions been beat to death in this space for 15 years, heavily commoditized many capacities. You don't see a lot of platforms putting out features and functions that haven't been done a thousand times over I think agility, digital transformation, organizational agility is where a lot of brand manufacturers retailers manufacturers in general try to go.

And I think some of the tech and the vision that we've produced here coupled with obviously Makeswift and Feedo would lend itself around revenue optimization that agility, BigCommerce being around owned channels, Feedonomics being around non owned channels and Makeswift around experiences, both playing independent of one another as well as collectively.

So I think the opportunity coming here and tell that narrative in a way that I feel fits the white space that others aren't filling right now, despite their own self-promotion was probably the most material aspect of it of why I came over.

Tyler Duncan^ All right one more before we open it up to Q&A.

So you have a lot of industry experience How would you classify BigCommerce positioning in the market and what are some areas you want to focus on?

Travis Hess^ Well, I mean my criticism of the positioning historically has been it's been very broad obviously, I think, you know trying to be a lot of things to a lot of people is tough because depending on level of maturity and industry and geography certainly is different use cases and different consumption models, so I think it's hard to be everything to everyone.

I think for us, for me in particular, I think, you know upper mid-market lower enterprise menopause. What do we want to call it on the D2C side certainly has a massive amount of market share, I think, we can take if you look at what Demandware did, you know, 2014 2015 leading up to the acquisition of Salesforce.

A lot of larger brand manufacturers, smaller store-based retail, you know and brought brand manufacturers pretty broad, obviously the rev share model was pretty lucrative, it lent itself to those businesses that had margins high enough to consume, you know 2.5 to 3 point rev share certainly that's changed pretty dynamically.

I think that's certainly an area of opportunity. I think large CPG is a place we've played really well. I think it lends itself to composability and the mix of products certainly although they're desperately going through digital transformation today as they compete against what or once primarily and exclusively retailers, they sold their goods through that are now turning into brand manufacturers and competing against them, you know use a as an easy example, a Purina or an Aimes selling primarily through specially retailer big box, you've got Chewy's now publicly coming out and saying 30% of all revenues coming from Private label brands and they've got a tremendous amount of customer data, a pretty decent experience doing the pet care, veterinary care, nutraceuticals, pet insurance, they've got a real opportunity to go take market share away from them, they've got captive audience and subscriptive revenue that again, presumably Purina has got to figure out how to get around that.

And that doesn't mean figuring out how to distribute, you know dog food profitably. I think that's a lost cause, I think it's more creating value exchange at scale independent of where that transaction takes place and that by definition requires organizational agility, it's going to require a different technical approach, a composable approach that's going to serve both content and opportunistic e-commerce and more importantly, experimentation.

So I think that's another area on the B2B side, it's obviously a no-brainer, a lot of greenfield a lot of mid-market stuff that was historically knocked down by Magento on the B2B side back in the day. I think we're starting to see some SAP rip-outs now. I think those are more to come there, I think the challenge with SAP a lot of big heavy custom and a lot of GSI's have done that work and very protective and territorial of the custom stuff they put in there to support.

But once you've got that narrative and those examples of where you've been able to rip out SAP and replace it with Big, I think you're going to see a tremendous amount of velocity there. I think you have a lot of fatigued large manufacturers and distributors that would be very motivated to move to an alternative, and there really isn't anything eloquent out there or enterprise ready, CloudCraze which was absorbed by you know, Salesforce a number years ago. I think it's fine for what it is, it's sold like steak knives like the rest of Salesforce products, and they've got a machine to do that but it is not enough market. It's not an overly capable product in and of itself.

Magenta has kind of gotten out of it with Adobe, Intershop is underrepresented in most markets. I mean, there's just not a good answer Shopify's concept on B2B is literally, you know, basically they don't understand the fundamental concepts of B2B.

It's wholesale essentially is there you know have digitally native brands that are looking to sell through other channels as customer acquisition has gotten expensive and you know, setting up those channels for you know a Barney's to go buy stuff from Brooklyn. And I think that was addressed 30 years ago through EDI certainly and there's probably lightweight solutions in between, but that's Shopify's concept there and they also don't have a commercial model that fits B2B very well either.

So I think given those dynamics, it's a massive amount of opportunity for us to take market share pretty quickly and pretty aggressively.

Ken Wong^ Ken Wong from Oppenheimer. Travis, thanks for taking the time here. I think the key word of the day for you especially has been agility so with that, I generally think change, so when you are coming in the organization, what did you think needed to be changed. Now that you're in the organization, what changes have you made, and you think still need to be made?

And then lastly just for you now coming in-house, like any changes to kind of your own processes that have had to be adjusted to I guess kind of fulfill this project here.

Travis Hess^ Yes, it's a good question. You know I think, you know, the go-to-market messaging needed to be changed here. I think we've intentionally compartmentalized the acquisitions, it's not uncommon to acquire something, keep it compartmentalized operationally and from a go-to-market perspective.

I think I don't want to speak for others in the room, but I suspect given the amount of clients that run on Feedonomics as an example that don't use BigCommerce as a platform, keeping that separate made a lot of sense.

Obviously, you don't want you know Shopify coming in and creating a you know, a combative sort of scenario knowing it's in the same brand family.

That being said I think, it doesn't mean that every Feedo clients should be running on BigCommerce, but I think Feedo is a great wedge product. I mean it's easier to sell, it's faster. It doesn't tend to be as cyclical as it relates to replatforming, and I think there's a tremendous amount of synergies between all three of those products if you think of it simply, you know, Makeswift is going to be the de facto, you know experience management to out-of-the-box with catalyst. And certainly for small business, that is really the easy button for small business to absorb composability and that's something that's shown not told.

And certainly for business users which, is probably 80% of the buying audience there in the TAM, Makeswift is going to be a critical component of that happening. On the Feedo side, I think given the market today, given the economy, and given the fatigue, there's got to be a compelling reason for people to move platforms at this point, you either got to be in a tremendous amount of pain which I think, you know, for the most part, Salesforce has addressed that by discounting licensing. Adobe's done kind of the same thing, I think SI's are squeezed as well. I think for us agility by definition means speed, speed means less time to carry costs and presumably will drive lower TCO.

I think our challenge here is to go how do we engage, get more rooms and facilitate proving that out? And then having best practices evangelized in a governance model that gets people up to BigCommerce with as little risk as possible and the maximum amount of efficacy and then in parallel, also enabling our partner ecosystem because their traditional suite of services are going to dramatically change.

I think If you think of what Shopify has done most disruptively in a negative sense, they have democratized this entire business to where what was once 750,000 to implement is now a couple hundred thousand dollars.

I can tell you from experience, you can't deliver a $200,000 implementation project with full-time resources, it's all fractionally staffed. You've got a tremendous amount of context switching quality control issues, fatigue, it's really hard to build and scale an agency under those dynamics.

What they're not saying is the inside part out loud which is that's going to get worse and more commoditized and I would argue quite frankly on our side, if we're delivering, you know, HCL web sphere implementations that probably would have taken, you know, 12 to 18 months in the past and three months including a integration of Manhattan, which Manhattan didn't even believe happened that quickly, the negative impact of that for our partners are that they're not going to generate as much service revenues.

So I think it's important change-wise to lean in that as well, help them incubate more transformational capabilities that should margin higher, should drive more value add to organizations and in proxy, by proxy, have recurring revenue streams, which is going to allow them, you know, to grow a little bit more tangibly than relying on project work.

That being said, I think you're also going to see a lot of joint investment, joint IP, I think getting partners leaning in, so I think you're going to see a more narrow focus on who we partner with and how going a little bit deeper than wider. And my goal is to self-generate more demand which is going to dynamically change the relationships we have with those partners.

Right now, it's a very effective sales engine to go pull and source revenue out of partners, I think that's great because it lowers SG&A, but at the end of the day, it also creates this imbalance in the partnership. You've got a lot of you know rev share that you're spending, not as much MDF as I'd like to see, not as much joint investment when they're the ones originating deals. Oftentimes, you're going to the dance with that partner, so to speak, and that that partner isn't necessarily the partner that you want to bring to a certain opportunity.

So by self-generating those deals with better messaging, tighter messaging, and landing on themes that the market understands. The market understands agility. And Shopify owns speed, I mean, ease of use, really, is what they own for a very specific TAM and commerce tools owns big and complicated and you know composing from scratch but has its pros and cons and is primarily focused on homegrown shops with a culture of doing things themselves with large teams of FTEs, I would like to own agility.

We are creating organizational agility that allows brands and organizations to differentiate, go to market, experiment, all the goodness that comes with it. With that comes change management services and transformational services that we'd love to rally our partners behind.

And quite frankly, speed kills in a good way to the extent we start delivering things better and faster.

You've got a major TCO argument as well. These are compelling reasons to get into doors and materially consider a switch. I think for the last year, year and a half, the only stuff that's really been switching is stuff that should have been on Shopify two years ago that just hadn't gone there yet. So anyway.

Scott Berg^ Hey Travis, thanks for joining. Scott Berg with Needham.

So you kind of touched on this in your answer to Ken's question a little bit, but within this agility and revenue optimization, which has been your themes is, how do you truly get those partners kind of to get involved and go along with you? Is it just a pure, I don't know, pricing conversation to obviously incent them better?

How do you build that mindshare? Because at the end of the day, it's still a space that has a pretty wide partner ecosystem and implementation system.

Travis Hess^ Thanks, Scott.

Yes, it's a good question. You know, having come from that ecosystem, I would like to think I speak with a little bit more credibility in the fact that I've been there, I've built some of the top largest firms around that.

In the example of Shopify, which you would never have guessed, when I ran BVA, 70% of our revenue was recurring. And even into the stable it was on Shopify.

We very much deliberately took an approach that the implementation was just the gateway into a much larger land and expand sort of relationship, right? We wanted to get into a model where there was a recurring revenue stream, there was a deepening relationship over time, and then more cross-selling and attaching additional capabilities.

So the thought process in any sort of implementation is always going to be scope creep, there's always going to be backlog stuff that comes up through discovery. And nine times out of 10, it's, hey, we can't go live with that, we're not going to meet your timeframe or your budget.

The thesis for us was we knew that was going to happen, we're intentionally exploring vision, and then putting that in a backlog and then packaging that up into an ongoing retainer focused on revenue optimization, and then overlaying a prioritization framework on top of it, meaning we're taking the client's roadmap, we're putting it in the backlog, we're going to overlay it from a prioritization perspective led by a strategist saying, hey, here are the 20 things we want to do based on your size and maturity, your industry or sub-industry, and here are the things that are going to give you the biggest return for the least amount of risk and cost. We're going to do that against a fixed budget, we're going to plan that work, execute it, measure efficacy, rinse and repeat, and onward and upward.

And then along the way, just by proxy, we're going to get access to market conditions, to media opportunities, marketing opportunities, other things that would be relative to growing that business that was a natural and organic way to cross sell and upsell and turn that $30,000 a month retainer into a $50,000 a month retainer into a $100,000 a month retainer.

And that's a lot of the conversations I have with these agents.

I mean, the GSIs know this. I mean, this is what they do. The traditional agency partners in this ecosystem, this has not been the model. Most were centered around design. They were centered around implementation work. They're struggling right now, it's soft, and they've got to move into this mindset or they're going to die.

There just isn't enough velocity and profitability for them to deliver and survive on project work. The design firms will because they'll freelance and they'll keep very light overhead, but the true delivery teams, even going offshore is not going to fit because that model tends to not deliver fast.

So it breaks the sort of model. I think they're feeling enough pain right now and softness where I think they want an answer because it's not being delivered. And it's certainly not going to be delivered by say, using Shopify as an example, delivering shop pay. Like that's not going to be enriching the partners either. So they're desperately looking for service revenues that are going to drive value, drive stickiness, and drive ongoing revenues. And if that's not centered around saving people money or growing their business or both, I don't know what else it would be centered around, quite frankly.

Isaac Piliavin^ Hey Travis, this is Isaac from Barclays.

You know, the messaging around agility and speed, I think, is really coming through. You know, something that's a bit less diagnostic to the commerce more, all of software is this sort of idea of elongation of sales cycles. We've seen it over the past year or so. How do you balance sort of that dynamic with this messaging around speed and agility? How should we think about customers leaning into that as they are more measured in their buying decisions?

Travis Hess^ That's a good question.

I think one of the other investments we're making, like a couple of things, and it tags onto what I didn't answer from earlier. We're putting together a strategy group. So one of the changes in go-to-market was moving sales and revenue ops to finance an FP&A to kind of streamline that and accelerate our track to better data, to operate the business on, especially as we kind of integrate several of these other brands and want to be crisp with the data.

Another element of this was forming a strategy group internally, which will contain kind of all of our offerings. So think of an offering as B2B, B2C, small business as examples. And one of the biggest things I learned at Accenture is this concept around offerings. It's not so much to take things to market externally, it's to take it to market internally and get everyone rallied around it, crystallizing what it is, which accelerates our own development that maps back to a specific market.

That being said, on the agility piece, a lot of what else is going to go into that through that strategy group are very industry-specific demos. And really, you saw some of the catalyst demos today, we've got a responsibility to paint vision. I don't think function, you want to look at robustness of that. I mean, certainly SAP, Salesforce, Adobe all have richer features and functions than Shopify. There's a reason why people aren't buying it. It's not because they're not feature rich, it's because they have no vision and they have no agility.

So it's okay to paint vision as to where we're taking this product because it's moving so quickly. I think we have a real opportunity to lean into that. I think we have an opportunity to lean into that with partners as well, where we would expect them to take our reference architecture and based on their own industry and maturity expertise, extend on that and tell more tangible stories and market, and then just amplify that over and over and over again.

We've been materially too modest here. Whether it's just being nice and from Austin or Texas, or just unsure about where we wanted to lean in in fear of alienating somebody. I think we can all violently agree, agility is needed anywhere and everywhere. And back to the revenue optimization concept.

Listen, people are going to hire you to grow their business or grow their bottom line or both. And again, there's no one specific feature or function that's going to do that, it's a mindset. And that same mindset has to go drive what it is that we're doing internally as well as it is externally.

So that's just something landing on that north star and just hammering it over and over and over again, and just being known as Shopify is known as like ease of use, us being known as agility and more visionary and market where again, we're seen as a leading light and that whole concept, which I think has been lacking based on the capability of the product itself.

Maddie Schrage^ Thanks, Maddie Schrage with KeyBanc.

I just want to talk a bit about where you envision go to market in 12 months from now. How does the sales motion look different than it does today? And then do you believe that with your current sales and marketing employees that you guys don't need to hire more in order to reaccelerate revenue?

Travis Hess^ I'll answer the second part of that first. Part of this will be our own transformation, right? And I think unquestionably, we're going to invest in growth. So whatever assets are going to give us the best opportunity to grow from a top line perspective, yes, we're going to move some pieces around. I think we've been very top of funnel heavy through marketing, I would say quite traditionally, most of those folks based here in Austin, not necessarily coming from a commerce specific background. And as a result of that, it's probably lacked maybe the level of authenticity that I would want.

It's not a critique of the folks who are here. I think they do a capable job, but I think that strategy group one, being kind of the face and the input from a subject matter expertise perspective, specifically to commerce where it's going, this dogma around painting vision and agility creates really interesting talk tracks and disruption that I think the industry is cankering for quite frankly, as opposed to producing generic content.

So I think you're going to see some shifts in the go to market org, more centered around quarter producing assets, whether that's account management and better attach rates, cross selling and upselling, which has not really been a deliberate muscle in the past.

It's been a side job that hasn't always been incentivized to do kind of what we want them to do. So getting that behavioral alignment to revenue growth aligned, I think the messaging's obviously been off. I think we've got a bigger, broader brand story to tell across the broader portfolio in addition to the individual brands.

And I think you're going to be a -- you'll see a very deliberate sort of structure of go to market to really bring in more quota carrying capabilities to go back into that growth at the expense of maybe some more generalist top of funnel capabilities.

So probably same amount of spend, at least for now, just oriented in different areas.

Matt Kikkert^ Hi, Travis, Matt Kikkert with Stifel.

We're thinking about that first bucket of the digitally native D2C that tends to be more SMB. How are you still thinking about that cohort in your new strategy? And then similarly, how are you thinking about the long-term framework between like enterprise, mid-market and SMB, like revenue mix?

Travis Hess^ On the first part of that, I think digitally native vertical brands obviously plays really well to Shopify's ICP. I mean, let's be honest, it's what they were built for. I'm not saying we're not going to win any of those. I don't think we're going to have a tremendous amount of focus in that area, nor does it represent a large portion of total GMV and market as it relates to commerce, as Brent probably alluded to. I missed his section, but we talk about this daily.

So it doesn't mean we're going to ignore small business. It's certainly a large part of our business right today. I think Catalyst and Makeswift in particular, especially with a hosted version of Catalyst is really the big unlock for small business going forward. It gives them the benefit of composability, which under the covers, a small business isn't really going to care. Where they will care is the agility, the ability to evolve and swipe out different capabilities as needed as their business needs change and speed to market as well.

So I think that coupled with payment optionality and a bunch of other things, I think we have innate to the business is going to be differentiating in that space. As it relates to the percentage of revenue, I'll default to people smarter than me. Longer term, I think we're going to see the most movement is us taking the product up market quite deliberately.

I think B2B, you're going to see definitely there's a lot of mid-market opportunities still. So you'll see lower enterprise there as well until we start encroaching in SAP, which is really the de facto standard up market.

I think on the D2C side, Brent probably talked about this a lot. He's super bullish on retail, store-based retail, multi-brand retail. IM as well. I think we're not talking about the best buys of the world. Certainly I don't think best buy is going to rip out what they're doing from a microservices perspective and go our direction anytime soon. But I think there's a tremendous amount of market share there globally that we could start taking. And I think larger branded manufacturers who occasionally masquerade as retailers, kind of that legacy demand where go to market where you're seeing a lot of fashion, apparel, health and beauty, CPG in general.

I think that Shopify is not taking right now just based on complexity. If we can push through there sooner rather than later like Demandware did, this tends to be an industry of sheep.

So, Demandware back in the day famously had Crocs was like the one notable brand and had a hard time pushing through. Once they did, all that momentum happened in a very, very short period of time. I think we're starting to see that penetration for us certainly stuff in pipeline. That again, I feel pretty bullish about being able to push through and then really amplifying it in a way that, again, once like type people see brands that they see as peers of themselves running on your platform, it really accelerates sales cycles and momentum and then the rest is you're kind of off to the races.

It's just crystallizing that message, orienting the business to go accelerate the growth, having methodologies and frameworks internally to accelerate sales cycles, drive efficacy, better closed rates, focusing on vision demos, getting into more doors. We have just not been in enough rooms.

We have not historically been in as many opportunities as we should be in.

Once we're in, we do pretty well and we always be better. But part of this is really getting into as many doors as possible, in doors that we're good fits for and not wasting our time with stuff that maybe isn't the right fit. And that takes a little bit of resolve and some gusto.

I think it's my job to kind of orient us in that direction and then back it up through data and some of the other things that we're doing internally. So that answers the question.

Chris Kuntarich^ Thanks. Thanks. Chris Kuntarich at UBS.

Just as we kind of think about the go-to-market here and the tactical implementation that you're looking to pursue here, you talked about really top of the funnel has maybe been a larger focus historically and you're looking to move more down the funnel in your marketing efforts.

Can you just talk about tactically how we should be thinking about that? Any examples specifically on the top of funnel that haven't historically in your experience worked as well and kind of how we should be thinking about that more down the funnel action?

Thanks.

Travis Hess^ That's a good question. I'll use a musical analogy. This is really an orchestra, right? I don't think there's one particular area that is failing or succeeding, right? I think if I had a critique of the messaging, it's a bit too generic and a bit too wide, not focused enough on disruption.

And I think to the extent we do focus on disruption we tend to get wrapped around the technical capabilities of the products and very product-led business. That's great for a technical audience. I don't think that's the broader TAM. I think the broader TAM is a business-centric audience that wants to understand what the business results and output might be, despite the technical nuances, which again, there may be a subset of people to do it.

I think for us, one of the critical components here is leveraging that partner community, right? I think they're kind of violently aligned. They need us to enrich them. And I think jointly selling, jointly investing, turning this into more of a push versus pull motion for us, as opposed to pulling deals and revenue out of partners, pushing them to partners and mapping them, governing them, orchestrating them in the right way, I suspect is going to create deeper, more tangible sort of use cases, capabilities and market that resonates with a more focused audience, I think accelerates how it is that we're going to go in and engage them, transform them, hopefully decreasing sales cycles, increasing implementation cycles and monetizing everything.

And then a very deliberate motion around cross-sell, up-sell here internally, go-to-market with account management, where again, folks are incentivized for the right reasons, wedging in with one product, attaching a different product, rewarding and incentivizing that sort of behavior is just something we've been okay at.

Tons of upside there, in my opinion, that I think all of that needs to play in harmony. The messaging, the partner ecosystem, the marketing, the back office, the account management, I mean, it all kind of plays into playing together, you know, as an orchestra and all singing from the same sheet of music.

Reducing churn to the extent we can by getting out and governing these implementations. We have a lot of clients that implement themselves. So bringing on Ryan Means as an example, part of that is putting in best practice framework and capabilities around how best to implement this product, how best to support it. The presumption is that's going to increase our quality around delivery, decreased churn certainly, and also increase attach rates to the extent we better understand what it is that we're delivering and why and how it is we're managing these clients.

To use the sports analogy, playing a little bit more offense than defense. I think historically it's been a lot of defense.

And yes, like I said before, this is all upside. Like this is not like getting more blood out of the turnip here. This is a transformation certainly for us in a good way and an exciting way. And yes, I think you're going to see a tremendous amount of change very, very quickly in market. And I think that just in commerce, every other run to the top has happened the same way. Right?

Someone has landed on something material, it's energized a partner ecosystem, it's energized the client base. And that momentum just turns into more and more momentum, more and more wins. And yes, it's going to be exciting.

Tyler Duncan^ Thank you very much, Travis.

All right, our next speaker is going to be Brian Dhatt. A quick intro on Brian while he makes his way up here. Since joining as BigCommerce's first CTO, Brian has been instrumental in the evolution of product and platform to address the needs of growing brands and retailers. From the company's first headless launch in 2017 and composable commerce strategy to its first AI initiatives in 2021, Brian has ensured BigCommerce innovates at a rapid pace.

Prior to joining BigCommerce, Brian served as the CTO at Borderfree, where he led all aspects of product and technology for platform and that powered global e-commerce across 220 countries.

During his tenure, Brian was part of the company's successful IPO, as well as its acquisition by Pitney Bowes.

Over the course of his career, Brian has held executive leadership positions At Jetsetter, Gilt City, and POPSUGAR, which is a company he founded.

Additionally, he has led technology efforts across for global recognized brands, including Best Buy, Starbucks, Restoration Hardware, and Estee Lauder. Welcome, Brian.

Brian Dhatt^ Thank you, Tyler.

Tyler Duncan^ All right, Brian, let's start off with the first question here. So what makes BigCommerce's platform product different from its competitors? And why do you think we have a product that wins in the market?

Brian Dhatt^ Great question. Thanks, excited to be here, everybody. A little higher? Okay, there we go.

So you've heard, I think, from both Brent, from Travis, on agility. And agility for us gets built into the platform or the fabric of the platform in a way which you hear in the market as composability, as open SaaS, but essentially the ability to start somewhere on your e-commerce journey and then really adapt that to your business needs as they change over time.

That can be right at the beginning. The agility of the platform and the openness of the platform allowed us to take what was a B2C platform and move into B2B really successfully. But overall, what I'd say is the flexibility that we build into the platform allows for us to increase the areas where we can address without saying, hey, that doesn't work. That's not out of box on the platform. We can support more and more use cases or more and more of the market today.

So I'd say that's one side of kind of how we think about the platform. And you'll hear us talk all the time about open SaaS and composability.

Number two is we have a real detailed focus on conversion and really optimizing revenue on behalf of our brands and retailers. So you'll see, if you watched our product presentations on the stage today, we have a deep focus on making sure for every visitor that shows up at a customer's website, our brand's website, that we convert them as efficiently as possible.

And we will always go out and prove this to them, make sure that they're constantly seeing us add value and provide more revenue for every dollar they pour into their marketing streams.

So I'd say those are really kind of two of the big focuses.

Last one I'll just put out there, which goes along with that agility theme overall. We like to kind of track where the market is at and kind of track where the market is headed and be the first in market with a lot of capabilities that are important to marketers. And just kind of as a little bit of backstory, I was at Best Buy, gosh, back in 2003 or thereabouts. And the marketing team at Best Buy used to have to approach the technology team when they wanted to run a marketing campaign. And they used to say like, "Hey, can you guys handle this? Or should we like taper this campaign because the website can't handle it?"

And I put that in as my mission, I must change that. You should never hold back a marketer when they actually think they can generate more dollars. And so similarly here, when capabilities are released, take TikTok shop, Metashop or Instagram checkout, Apple Pay. Day one, we're on the stage, we are one of the launch partners for each of those. And we want to make sure we keep doing that because again, I don't want to go back to that situation where a head of e-commerce or head of marketing says, "I really want to take advantage of that new thing I heard that was announced," and not be able to get there. Have their own technology team say, "Can't do that quite yet come back in six months or nine months."

And so we'll keep a real focus on moving quickly and keeping highly competitive out in the market.

Tyler Duncan^ Thanks, Brian. So we've talked a lot about our platform product, but we have a suite of products including Feedonomics and Makeswift. Can you tell us a little bit about those products and how they all fit together?

Brian Dhatt^ Yes, absolutely. So I think that's one of the most exciting parts of the story that's coming together. And Travis has been really exceptional at actually kind of giving words to this. So if you think about the BigCommerce platform, that's very heavily focused on owned channels. These are channels that the brand has direct ownership of, they're driving the traffic to them and completely controlling the experiences.

With Feedonomics, we're great at getting any system of record data out to the channels, the third party places where you want your products to be, whether that's Google Shopping, you want to have the most optimized listing on Google Shopping, you want to be in marketplaces like Target, eBay, and Meta and others. And so, Feedonomics is really good at unowned channels. So essentially, all the places that you could get your products featured that will generate more sales on your behalves.

And then Makeswift, I think, is an important part of the picture, both with the integrated platform story and kind of what it's going to do for upgrading BigCommerce overall. But really when you have a content channel out there and you might have a brand that's not yet ready for e-commerce or is not really focused on e-commerce, and we want you to be able to create an incredible experience in any of those channels as well.

Tyler Duncan^ One more from me, and then we'll open it up for Q&A.

So we've heard a lot about AI in the market. How are you thinking about AI incorporating it into the BigCommerce suite of products?

Brian Dhatt^ Everybody's probably hearing AI on every one of these discussions, every presentation right now.

So we've got, I think, a pretty focused take on what we want to do there. So there's AI that's in the user experience, and you heard Troy, if you were at the product presentation earlier, talk about what we're doing with AI product recommendations.

And we've all heard about product recommendations for years. We've used Amazon, we've used other e-commerce websites and seen recommendations alongside products. What's different is now we can combine all the signal that we have with best-in-class models with folks like Google, and watch those recommendations change live in a user session as they're shopping over time.

And so what we can do from a platform perspective is really turn a fire hose of events that we have available behind the scenes, load that up into both a specialized model, but also kind of tuning the model over time to ensure that the recommendations and the uplift in sales and conversion that we can provide are best-in-class.

So think of a whole set of things that we'll do on the shopper side of the experience. The other side, which is really unique to us, is reducing merchant toil. And when I say this, all of us today, our company will talk about operational efficiency, but every single brand and merchant out there has things that they do that they don't consider high value that take a lot of time. And so we will focus on things behind the scenes that speed operations on behalf of our customers.

One of those that you heard earlier today was around B2B and how do you manage and respond to quoting requests in B2B. We're applying Gen AI to take what is a very, I will tell you, an extremely lengthy process within most B2B companies that do field sales or otherwise, and really kind of have Gen AI speed that process along.

So I'd tell you those two use cases, what makes the shopper convert more, but really seeking to remove merchant toil and make them more streamlined and operationally efficient.

Chris Kuntarich^ Thanks for taking the question. Chris Kuntarich, UBS.

Just want to stick with the Gen AI theme here, AI theme. As we've obviously seen site builders out there with like durable AI who can type out a quick sentence and you can have a very quick website that's built here.

As we think about kind of the roadmap here for Makeswift specifically, is that something that we should be looking at as we're building our business? Is that something that we should be thinking about potentially showing up on that roadmap or is that going to be something that the broader partner ecosystem brings along?

Brian Dhatt^ I'd say both in this case. On the partner side, we already see that's pretty broadly applied in market. So you see folks like Canva, Vercel actually has really great implementation of AI page builder and what product they call V0. But I think this is something that we will necessarily bring to merchants as well.

And so one of the things Troy mentioned on stage here today was really providing the rails to take even our existing base of customers and help them get over to Catalyst and Makeswift. And AI will be a big portion of the solution behind the scenes there.

You can imagine for any merchant when you say, gosh, you need to upgrade the way you think about front ends. That's essentially a replatform behind the scenes unless you can really provide the rails to help them do that with a light lift and a really heavy level of benefit.

So yes, we will absolutely be in the space of working on both site conversion and the addition of page building tools that are AI driven.

One other component I'll add there is we think this marks a huge opportunity for moving folks from other platforms into BigCommerce as well, because if we can take an existing e-commerce experience and approximate that or get really, really close in a page builder like Makeswift, then great, I as a brand owner, I can do that last bit of customization and make that my own and kind of get to the finish line.

One last little bit that I'll say, the kind of approach on Catalyst and using these individual React components is really important there, because what that allows us to do with Gen AI is essentially produce a bunch of great components that fit together, that feel the right way together, and then we can draw upon those components to actually kind of compose an entire page or an entire site experience. And so our approach today, what you heard on the launch, which was called Vibes, is essentially producing these component libraries that then Gen AI or end users will be able to kind of drag together a brand experience, not starting from scratch.

Scott Berg^ Hi, Scott Berg with Needham. Thanks for joining us today, Brian.

I guess we just had Travis up there talking about, I'm going to quote him or at least paraphrase, that features and functionality have been kind of beat to death in this space, and he has this viewpoint of wanting to compete on agility and revenue optimization.

Talk to us about the platform enhancements that we should expect maybe over the next one to two years that mirror with where he thinks your opportunities meet the market opportunity.

Brian Dhatt^ Absolutely, and I think Catalyst is probably the loudest thing that you'll hear us talk about today when it comes to both agility and revenue optimization.

It is beautiful. It is easy to adapt and modify, not by technologists, but also by folks like marketers or merchandisers, which is really new. When we've had folks talk about composable stacks or headless front ends, typically that's been really, really developer heavy, really expensive to implement, and we're going to do that all in a way where, just like you saw in the demo today, click in the front end, start a storefront, and then just start working from there.

And so we've taken a lot of the heavy lift there, and that's allowed -- another point he made was we've historically really been kind of positioning towards developers, and we'll continue to do so because at the end of the day, you want to have a technology team that feels great coming along, but we need to win the hearts and minds of the marketers, the merchandisers, the folks that are actually kind of building these businesses and responsible for the revenue there.

And so things like you see with Catalyst and Makeswift, I think really, really get us far along that path. Same thing in B2B, you've seen a lot of major announcements from us on B2B around the buyer portal, around quoting improvements, and so on. All of those are things which today -- And I talked to one of our B2B customers. They were still doing faxes, so they essentially had a lot of franchisees. They were actually taking orders via fax. They had a person who would call up and say, "Gosh, let me go off and get that order put together," and there were a lot of humans involved to do that, and it was relevatory to them that they could actually kind of get the full catalog online and have a streamlined process that worked with their existing ERP or other systems.

And so in the B2B space, we just see an enormous amount of space where technology will take the place of what is a very, very manual, error-laden, and slow process, to be honest, today.

And also, too, the other thing which I'm really excited about that I'm seeing in the B2B space is B2B experiences typically have not been beautiful and on-brand and really kind of allowed a company to feel great about what they're putting in front of their buyers, and that's completely changing because we're seeing more experience-driven B2B design, which I think is good for the industry.

Ken Wong^ Thanks for doing this, Brian. Ken Wong from Oppenheimer.

Just a question in terms of resource allocation. You guys have obviously pivoted away from SMB, more enterprise, more B2B. I guess internally, have you guys already made that switch? Are the muscles all kind of working towards that direction? Any color on kind of what that -- again, kind of what the resources dedicated to kind of the B2C versus the B2B versus the enterprise?

And then secondarily, as we think about kind of this move up market, is there a need internally to kind of push that even more aggressively in one direction?

Brian Dhatt^ That's a good question. So I would say overall we're constantly shifting. We're behind the scenes very agile as a development team, not to over-utilize agility today, but we rarely move folks team to team as we see the right opportunities line up.

My product team is really, really closely aligned to Travis's, both on the sales side. So we have what we call voice of prospect. Those are opportunities out in the market where, gosh, if we could have addressed this feature, this concern, we would have been able to sell that deal. So we've got voice of prospect as an input from his team, and we have voice of customer, and that's essentially existing customer feedback where they say, "This is a capability that I would really, really like in the platform," or, you know, "Gosh, I'd need to move if I wasn't able to do that."

And so we essentially do an annual plan, but we come back every quarter, and with the senior leadership team, we actually realign and say, "Do we still all agree that the priorities, which kind of behind the scenes will represent that allocation of resourcing, do we all agree that that is all still aligned?" And, you know, luckily, with a really steady company strategy over the last few years, in general what we've been doing is kind of tuning the allocations across those areas rather than having to do massive shifts back and forth.

If you were to look year over year, though, if I were to say kind of the largest investment change year over year for us, that would be B2B, where, you know, we've seen success and we continue to see lots of opportunity for us to address more of the market. We built a really great team that's focused on that, but, interestingly, B2B, we have folks working B2B projects in every area of the platform, so what we don't have is just a dedicated B2B team.

So we do for things like the buyer portal, quoting, and so on. But you can imagine some of the things that we've talked about today on the roadmap really requires to change other core areas of the platform, and so every, you know, team is really taking on that type of work.

Scott Berg^ And then just a quick follow-up in terms of the, again, the product focus being a little more enterprise B2B, like, does that trickle down to the SMB customer or will we get to a point where the product fit no longer really applies down market?

Brian Dhatt^ That's a great question. We -- I think an elegant, understandable UI/UX experience is great for everybody, and so there are SMBs out there, especially complex SMBs, which grow into larger retailers with us and choose us because they know they'll get a set of capabilities that other platforms can't provide. With respect to, you know, do we disqualify ourselves or do we kind of move away from that market? Absolutely not. It's really core inherent to our roots, and I think from a philosophical perspective, you know, puts us in a position where when a complex enterprise brand heads into the control panel, they can understand it.

They actually -- I walk in all the time, you know, when our sales team is kind enough to bring me into a big opportunity. I'll walk in. We will demo, and they'll say, "Wait, that's live? That's that fast? Oh, that feature, I can generate a promotion just like that." It's eye-opening for some of these enterprise customers to see that there is actually an easy experience or a, you know, more intuitive experience and more efficient experience overall. And so, kind of keeping some roots there in SMB and saying we're always going to improve the product for the benefit of the full range of customers that we have on the platform actually helps us in the enterprise segment as well.

Isaac Piliavin^ Hey, this is Isaac from Barclays. Can you talk a little bit about the conversion from customers that are on something like Stencil or Blueprint to Catalyst? How much of, like, an unlock is that for you? And then as we think about the existing BigCommerce base, how much of them do you see ultimately ending up on Catalyst, you know, a couple years down the line from now?

Brian Dhatt^ Sure. So I would say two things. I think it's incumbent upon us to help provide a green path for every merchant to take to be on the storefront platform that they wish to be on. We're going to -- and I want to emphasize, we're going to continue to improve Stencil. So we have put a lot in the Stencil, especially in terms of performance and making sure some of the benefits that we can tout around Catalyst, actually we bring the Stencil as well. So we're going to constantly improve that because we know there's a lot of investment that's already been made in Stencil over the years by a number of our agencies and a lot of our customers.

When I think, though, about how important and kind of what do I see the migration trends being over time, I would hazard a guess that at the beginning of the year next year when we have a hosted -- so fully hosted kind of click and go Catalyst platform, we're going to see most new stores start their journey on Catalyst at that point.

We'll still see, you know, due to third-party integrations or knowledge or otherwise, folks, there will be a group that will continue to prefer Stencil. But I would say, you know, the moment that we have the easy path where we're hosting and we're doing all the setup for you, just right out of the box, I think we're going to see the majority of new storefronts go catalyst.

Movement in e-commerce, it takes years, years and years and years. And a lot of that will really depend on how many tools we can provide to make that movement easier. Blueprint, Stencil went live. They got general availability, I believe, seven years ago now. And we still have Blueprint customers that we support and who have remained there. So a really small sliver of GMV. But the last thing we're going to do is kind of turn it off and say, gosh, we're going to kick some GMV off the platform because at that moment, it's a point where they say, well, let me reevaluate my e-commerce choice overall.

So, yes, you will see us invest in making sure we've got a really clean path. We'll probably -- Travis and I are talking. We don't have a concrete plan here. But I also think our partners could play a big role if we enable them to provide a, you know, kind of easy, fast and low-cost way to get from one platform to the other as well.

The good news, I will say, behind the scenes, when you see us talk about Catalyst or Stencil or Blueprint, all those are built off the same back end. So we aren't, you know, kind of incurring the debt of maintaining multiple back end platforms. All that's common and the same stack, regardless of storefront architecture.

Matt Kikkert^ Hi, Brian. Matt Kikkert with Stifel.

Building on one of the introductory questions, from a technological standpoint, what sets apart your B2B platform? And more importantly, what's -- like, why can't a competitor come and copy that platform? Is it just having that head start or is there something deeper?

Brian Dhatt^ Yes. Great question. I would say there's a couple good factors there for us. We have been building it open for a very long time. So we were API first and composable for ages now.

What that meant for us in the shift to flex over into B2B, we had a head start there, because the platform was already meant to say, "I need to replace the way I think about tax. Great. I'm going to unplug this and replug this. I want to replace the way I think about the payment stack." Same thing. We've had the ability for anybody to contribute new payment types for ages now.

And so the fact that we started from that point of flexibility on the B2C side made some of the complexity in moving to B2B, I would say, arguably a lot easier. The second thing I'll say there is we continue to think with that open mindset, and I think B2B is a world in which, you know, the green path use cases are numbered. Every scaled enterprise B2B customer that we see has really customer requirements. And the fact that we started from open source and from open APIs as well has allowed folks to build use cases that kind of we didn't dream up or didn't even anticipate, but the kind of openness of the platform continued to allow them to express that creatively on the platform easily.

So I'd say those are, you know, honestly two of the big important reasons. The other thing I'll say too, Travis talked about industry expertise, and the product team as well. We needed to pick up really kind of deep B2B expertise, and so our acquisitions there have been really good for us, and our hiring within the B2B segment has been really good for us because we've picked up folks who have lived in that world for ages and really kind of have accelerated our understanding of the right way to solve problems on behalf of B2B companies.

John Messina^ Hi, thanks for taking the question, John Messina, Raymond James. Certainly seems like a ton of internal development going on across the platform, unifying dashboards, accelerating checkout, but you've also done quite a bit, augmented quite a bit of the internal development with some acquisitions.

So I'm just curious if you can give your perspective on Build versus Buy, any guide rails on how to think about product development moving forward, and maybe where you, similar to a question that was asked a few ago, where you see the most room for future investment.

Brian Dhatt^ Sure. With respect to Build versus Buy, we ask that question. If we've got a large investment to make on the R&D side, we always ask that question. We've got the benefit, you know, one of the things I hope you all are seeing here at BigSummit, an incredible base of partners out there that are building at times their e-commerce-wide types of innovations and products they're building. But there's a lot of folks out there that are building BigCommerce-specific features and applications.

And, you know, our most recent acquisitions on the B2B front, they were companies that were exclusively developing for BigCommerce as a platform, had proven they had product market fit when we looked at what we needed to do and how long it would take and the kind of opportunity costs there versus just really kind of putting companies together. Gosh, it made a lot of sense. It was accelerative. We were able to get in the market fast, and we actually knew there was a product out there. We went out and we spot-checked NPS with any of the acquisitions we consider, and we also had a product out there that people loved already.

And so I would say that's always part of our kind of decision-making calculus when we think about anything big that we have to build.

Going forward, it's difficult. I'll say we'll continue to do the same just as we, you know, find areas of investment that we wish to make or market segments that we'd like to enter. You can expect us to use the same type of decision-making going forward.

But I look at that guy over there on forward-looking and I say I'll be careful with the things I'll say there.

Tyler Duncan^ All right. I think that's it for Brian. Brian, thank you very much.

All right. Our last speaker, but not the least of them, is Daniel Lentz, CFO. So we'll go ahead and jump in with Daniel.

Daniel, the first question we have for you is we get a lot of questions about profitability and growth. How do you think about the balance going forward for BigCommerce between growth and profitability?

Daniel Lentz^ Thanks for the question. I think that we can and must get better in both, to be very frank about it. I think we've been talking all year about that the number one priority we have as a company for investors is efficient revenue growth. It sounds like a catchphrase. It's well thought out for a couple of specific reasons.

One, we know that it's imperative that we reaccelerate revenue growth within the company. We're very confident that we can do that. We need to do it efficiently. And so, when we look at a lot of things that Travis has been talking about initially where he was talking about how we go to market in terms of messaging, how we're stitching together the assets and the story behind that, it's not just so that we resonate better in market, but it also amplifies the effectiveness of all of the dollars that we have at work on the go-to-market side.

And I think if you look at where we are from a sales and marketing expense point of view, we're not anywhere close to best in class from an efficiency point of view. Like how efficiently are we growing? So I've gotten a lot of questions lately kind of just saying, well, obviously, you know, the company's focused on accelerating revenue growth. That's understandable. Are you going to need to reinvest in a big, meaningful way? Is that going to create a bunch of headwinds for where you are from a profitability point of view?

I get the same questions internally sometimes from employees as well. And what I always say is, I mean, look, the amount of money that we are spending is not the issue, right? The issue is the effectiveness and the efficacy of the dollars that we're putting in place. We have amazing employees in all departments within the company. There's just a lot of things that we believe that we can be doing better to get better effectiveness out of the dollars that we're putting in place such that we can either limit the growth of the dollars that we're putting in and pockets. We may be able to make some reductions where we think that might make sense or we could pull some dollars out and still end up in a better place on a revenue growth basis than where we've been.

And I think that that's just really critical. It's not just something that we hear from investors. We grade ourselves under the same harsh rubric that investors would ask us to and that they do on their own. And we look at where we are and the way that we're operating. There's a lot to be proud of. The way that we've made a lot of improvements in financial health over the last few years, I think our balance sheet's in a good position.

Billing's health is better than it's been in any of the six years that I've been here. The flow through that we see from bookings to profit and cash flow is the strongest it's been since I've been here. We need to see better results on top of funnel. We need to see better pipeline build and ultimately flowing through to better bookings.

As we do that, I think we're really, really confident that we can see a lot of continued accretion and additional margin expansion as we go through that, too.

Tyler Duncan^ Thanks, Daniel.

So just to double-click on the reacceleration revenue because we do get a lot of questions there. So we've heard a lot from Travis about the go-to-market efficiencies that he wants to bring, and we've heard a lot from Brian about the different products. What do you see as the key drivers to getting us to reaccelerate that revenue growth?

Daniel Lentz^ So I think it's a couple of areas in particular where we're really focused. I'm going to talk first about from a new customer acquisition point of view and then secondly from the point of view of cross-selling growth within the base.

So we talked about on our last earnings call the fact that we are basically right on track with our internal plans for the improvements that we wanted to see in the year for gross retention and net retention. Still not where we were a few years back. Obviously, it could still get better, but we're seeing the sequential improvements that we wanted to see in customer retention and customer growth, and that's without us being, I would argue, best in class in cross-sell yet.

I mean, Travis talked about that where he said this hasn't been like a deliberate muscle group, I think, is the way he described it. He's funnier than me, so he probably comes up with a better term for it. But it's been something that we've done, but it hasn't been a way that we've been organized, and it hasn't really been the way that we've tried to put together a messaging in the way that we try to appear in market.

So, for example, on the commerce side of things, I think we're very much associated with being a mid-market company, lower enterprise. We're also working with Patagonia, Nike, Dell, Wal-Mart, and a lot of these different brands that we've been working with Feedonomics for a very long time. But I would argue in a lot of ways, like, the halo of that doesn't really always halo to the company as much as it does to a specific product. And I think that that, in some ways, has made our cross-sell success a little bit not as strong as it could be, because I don't know that we've stitched together the story necessarily as well as we could have, which Travis spent a lot more time articulating earlier.

So I think as we get better at that and then get a lot more efficient in how we think about channels, building top of funnel in an efficient way, I think that that starts to build referenceability in the kind of the specific verticals that Brent was talking about up on stage earlier. And then I think it starts to become like a really positive loop where you have better referenceability, more people start to pay attention to what you're doing in those areas, and it starts to accelerate new logo growth.

Meanwhile, as we continue to focus on what we're doing with existing customers with services, the way that we're deploying those, and, again, we're not out to compete with our GSI partners in the area of services. I'm talking about best practices for reference architectures and helping advise a lot of our clients on how they can deploy the product. We still have a lot of our customers that don't work with GSIs when they're implementing the product. We're not trying to force them to do so, but we want to make sure that they have strong implementations. And as they get up and running on one product, then we can start getting the cross-sell motions in place either to Feedonomics or other places.

And we want to be sensitive to how we do that, because Feedonomics is an example. The lion's share of the revenue on Feedonomics, is not running BigCommerce as an e-commerce product today, we'd like to obviously sell more of the e-commerce platform product in, but we're going to continue to invest in Feedonomics so that it is the best omnichannel feed management platform for Salesforce customers and Adobe customers and Shopify customers and others.

So I think as we get better in those areas, I think it starts to feed on itself. We start to see better net revenue retention results, which kind of raises the floor of overall revenue growth. And as I've said many times before, I think if you look at the history of our company, we made a really successful product transition moving up from a small business-oriented tech to kind of upper mid-market and lower enterprise technology. But we haven't really still fully switched the motions on the go-to-market side to get there. We still had a disproportionate amount of our revenue growth coming from new logo acquisition. And over the course of the last two years, it's gotten a lot more expensive to acquire new logos because platform migration activity has gotten a little bit tighter, and it's just a much tighter spending environment. I know I am much tighter with our own vendors than I was three years ago especially.

So I think as we get to a better balance, I think it raises the overall floor of where we can be from a revenue growth perspective, and it also gets us in a much better place from an efficiency point of view. It is a lot less expensive to get revenue growth by cross-selling to an existing customer than trying to acquire new logos all the time.

Tyler Duncan^ With that, we'll open it up for Q&A.

Ken Wong^ Ken Wong from Oppenheimer.

Daniel, thanks for taking the time here. On the efficient growth, how should we think about a trajectory? Is it generally going to be linear? Are we going to have some lumpiness to the extent there will be some lumpiness? What are some triggers or KPIs that we should be thinking about that you guys are looking at that might cause you guys to invest more aggressively?

Daniel Lentz^ Great question. So many times in this time I've wanted to say Trent Crimm, the independent. For those of you Ted Lasso fans. Every time you have to say your name's, Trent Crimm, the independent. Random. Sorry.

Anyway, to your question, kind of the lumpiness, I would love to say it's linear. I'd love to say it's exponential, but anybody who makes comments like that is trying to act like they can predict the future, and I just don't do that.

If I look at the signals and signs that we are looking for as we're looking at reacceleration of revenue growth, and also we've talked quite a bit about additional improvements and changes we want to make on the go-to-market side and the back half of the year. Travis spent a lot of time talking about those earlier. We'll talk about those more in future calls, so I don't want to get into a lot more detail on that now.

I expect things to be lumpy. I think anybody that can say or act like they can say confidently at the beginning, there's not going to be any hang-ups or any headwinds. It's going to go completely perfect and linear and fine. I just don't see that a lot.

I know that economically there's still uncertainty. We're going into another election cycle. It's always difficult to understand what that's going to look like on the macro side of things. Thus far in the year, as we talked about on our last call, up through our last earnings call, consumer spending has been pretty in line with what we expected going into the year, but I think we were a little bit more conservative on where we thought it was going to be going into the year than other companies. So I would say it hasn't been amazing, but it's been in line with kind of how we had set our budgets and set expectations.

Platform investment spending has been tough. I don't necessarily see signs that that's going to get better in the near future. Travis talked about that, from what that's like from the GSI point of view, and I think we just need to operate under the assumption that that's going to stay normal. And as we are thinking about how do we get -- we want to be investing and go to market, but we want to do it in a way where we are moving resources in a way that we can do it without taking up our cost structure.

When you do that, this is not like we're doing something dramatically new that we haven't contemplated before. We've been talking about this since Q4 of last year. This is really a continuation of what we've been describing.

I think if there's anything different now than where we were versus Q4, I'd say to a certain extent it's the urgency, and I think it's a little bit of the vision that Travis has been describing about how we want to appear and how we want to resonate in market from a client and customer benefit point of view and perhaps be a little bit less feature function led in how we talk about our messaging and how we get out there and market.

Our issue has never been win rates. Our issue has been at bats, not to use a baseball analogy. It's not the most interesting sport. But, I mean, like the more that we can get mind share and get into those sales motions, we usually do very well.

So I expect there to be challenges. I think it would be foolish to say otherwise, but I think we're very much on the right track with where we need to go. But, I mean, any time you have new leaders that are coming in, they bring in some different ideas. But, again, it's a continuation of what we set out to do before with urgency that I'm really encouraged by. But if this was a perfect macroeconomic backdrop, I think it would be easier to say confidently when and how fast it's going to reaccelerate and the rest of it. I feel really good about where we are, and I think that we can get back up into double digit growth and beyond just within the things that are within our control.

Like I look at operationally the things that we can do better. We don't need a substantially better macro picture in order for us to reaccelerate revenue growth and get into more acceptable revenue growth rates. To get, you know, into the 20s and beyond, sure, it would be nice if we were in a platform migration cycle again. But we're not going to sit around and blame the macro nor wait on it when we have things that we can clean up and fix on our own.

Isaac Piliavin^ Isaac Piliavin from Barclays. Thanks for taking the question.

If I think about that motion, you know, historically I think it's like 70% new customer ARR expansion, 30% existing. Where do you see that leveling out over time as you roll through these go-to-market changes? And then specifically on the existing side, historically I believe that's been more upsell, things like multi-storefront as opposed to cross-sell, Feedonomics, Makeswift. Where do you see that leveling out? Do you think that can be an even split or will it still skew primarily towards the upsell component?

Daniel Lentz^ Good question. So I would say if we could get to a point where we were probably 50/50 between existing customer expansion and cross-sell as a source of revenue growth and ARR growth and the other 50% from new logos, I think that makes sense.

I don't think that it would make sense, at least within the next couple of years, for us to get to 30/70 with the majority coming from existing customers for a couple of reasons. One, we're going to continue to build out the portfolio of products that we have to sell. We'll also build out more ways for us to add additional upsells and opportunities within the core product, where for an additional price customers can add additional features and therefore get additional revenue from within the same core product.

But if you look at where our market share is today, there is so much market share gain opportunity for us that I think for us to over-focus on existing and not be trying to gain market share by looking at new logos, I think would be a short-term way of looking at it.

So I'd just like to see a better balance. I don't want us to switch massively from one to the other. I think in the future, as we build out more of a full portfolio that gives us more cross-sell capabilities and then we create better ARPA increases within each product, I think that gives us a lot more opportunity to get more revenue growth from existing customers. I do think that's going to take a couple of years to build out, though.

So short-term, what I've been saying internally all year is I want us to get to 50/50. Let's get there. I think that leads to much better sales and marketing expense efficiency than where we've been and unlocks growth, and then we'll see where it goes from there.

Matt Kikkert^ Hi, Daniel. Matt Kikkert with Stifel.

At a recent investor conference, you talked about being able to drive leverage independent of revenue growth. For a little more detail, where do you envision a lot of those leverage opportunities coming from? Are those already underway, or are there new projects that you haven't started yet?

Daniel Lentz^ Good question. So I've spoken about the fact that, again, this is about accountability behind cost structure and the efficiency that we're seeing. There's always opportunities to get better productivity with the dollars that we have in place and that's a normal way of operating.

We have some teams here and there that have already gotten a little bit smaller. There's going to be some places where we're going to shift resources potentially between teams or between products. That's very normal course of business for us. I think a big area where I think we can get more efficient is just slowing down growth and expense base as well where we can think about either where we're staffing roles. You got your normal spans and layers, things that you can look at in terms of making sure that you've got the right ratio of senior executive leaders to the most critical and I'd argue most important individual contributor roles as well.

There's a lot of things that we can do. We'll talk more about this in future quarters once we have a lot more detailed plans that we can share.

John Messina^ Hi, thanks for taking the question. John Messina, Raymond James.

I realize the clear focus here is on the enterprise, but I am curious if you could spend a minute just talking about the health of the essentials customer base. How is the pace of upgrades or downgrades within that customer cohort trend versus your expectations?

Daniel Lentz^ It's been a little better than expectations, I would say. We talk a lot about I always get a little bit nervous sometimes when we talk about our focus in moving up market because I worry sometimes that it could give the false impression that we are not going to continue to invest and focus in small business.

I think there's a clarification that's important in this, which is there are certain segments within small business where we think that our product philosophy and the way our product works today is really well suited to small business, and then other areas where not so much.

So for example, I tell this story sometimes. My daughter asked me a few weeks ago, "Dad, I keep hearing commercials for your competitors on Spotify. When am I going to hear advertisements for BigCommerce on Spotify?"

I was like, "Honey, I hope you never hear an advertisement for BigCommerce on Spotify because you're not my target customer." I think that if it is a small business that is looking for the simplest, fastest setup, they don't need to know the difference between four different payments processors. They just want to know the one that they can set up in the fewest clicks. They're not paying that much difference to the take rate that those payments processors are charging. They don't have a lot of really complex needs.

It doesn't mean that they're necessarily small. You can have a company with a pretty modest SKU catalog with really high inventory returns that can do a lot of revenue.

Where we really do well is with small businesses that have just a little bit more high complexity and what the product needs to serve. That's a huge portion of the market. It may be mid to high single digits in terms of the total size of the small business market, but that's also a lot of market share gain possibility for us.

What we're not going to do though is direct a ton of resources going after digitally native entrepreneurs where those customers, our product does very, very well, but because it's more full featured than maybe Woo or Wix or Shopify in some areas, that type of customer is maybe not just best suited because they don't have enough complexity to sometimes see full value of what BigCommerce can offer.

And so if I look at where the small business is today, last year we had a lot of questions on this because we were starting to see a little bit of contraction on what we were seeing there. We kind of right-sized our pricing a bit. There's a lot of things we're working on that I'm really excited about that can create more self-service upgrade opportunities where we haven't always had a lot of additional ways of monetizing small business customers once they join the platform, which has just made the unit economics in that part of the business a little more challenging for us as opposed to maybe one of our competitors that vertically integrates with their tech ecosystem and then brands all of the different tech partner capabilities. That alienates your ecosystem, but it does create upgrade paths for you that can make the economics work.

The way we go to market, we're focused on upmarket customers that have higher complexity and needs. We're thinking all day long, to Travis's point earlier about what are the profit streams and businesses that systems integrators can build using BigCommerce.

And you're not going to build that type of ecosystem enthusiasm for your product if you're busy vertically integrating against them and trying to alienate them, either with your service offering or with a vertically integrated tech offering.

So I think there's a lot of things that we can do in small business if we just focus on the right customer, especially the customers that are paying at least a few hundred dollars a month. They're a great upgrade candidate to move into one of our lower price points on our enterprise plans, which start north of $1,000.

So it's not, we have price points that go anywhere from $1,000 up to hundreds of thousands of dollars. It's always going to be an area of focus for us.

The other thing to sum this up, Brian was talking about, our CTO. When we're investing in the product with mid-market customers in mind, there's a halo effect of that tech investment, especially into the upper end of small business. I don't see a continued focus on the upper end of small business to be cannibalizing in resources or focus versus what we're already doing in mid-market.

If we were trying to make the product the fewest clicks to set up, easiest to set up competing with WooCommerce or Wix or others like that that we don't intentionally, we're not out to compete with them, then it would be different. But if you're going after the upper end, the more complex end of the small business market, halo is great from mid-market, and that's a very efficient part of the market for us to go after.

Chris Kuntarich^ Thanks for taking the question. Chris Kuntarich, UBS.

I think Travis had mentioned on the GSIs, potentially more of a variable economic relationship potentially going forward. Could you maybe just level set us today how that relationship is? Is it more of a fixed structure?

You talked about, Travis had talked about the implementation was a huge focus for you all, but the follow through and the opportunity for that reoccurring revenue opportunity, that hadn't been quite as much of a focus. If you just talk about the fixed versus variable nature of that relationship.

Daniel Lentz^ Let me clarify first, speaking about just the relationship and the reciprocity in terms of client generation and lead flow, and then let me talk about the incentives and the economics and how we're thinking about that.

I would say probably for mid-market enterprise customers, total estimate here, probably 70 to 80% of those clients are using an agency to assist with their implementation. We have a lot of customers that are do-it-yourselfers that are doing those implementations on their own. You don't have to use an agency in order to be successful on BigCommerce, but the more customization and things that you're wanting to do with the platform, obviously it makes sense to bring in some help on the services side.

I would say probably of that percentage, it's probably half and half of either the agency bringing us into an opportunity during the sales cycle and us pitching it together with them or us having won the opportunity independently and then us introducing that potential engagement back to the agency where obviously we're careful with this with our customers to say, "Listen, I understand if you're going to do this yourself, here's some best practices, ways we advise on that," but we deliberately limit the breadth of the service offering that we have because again, we're not out to compete with our GSIs.

So once we start to cross that line where we say, "No, this really looks like something one of our partners would implement well," we'll actually pull partners into that opportunity proactively. What Travis was speaking about is he would like to get to a place where a greater percentage of agency involvement is us bringing leads to the agency so that we're actually disproportionately sourcing leads for them.

In order to get there, we need to be more effective in our branding and messaging so we have more effective top of funnel and that our dollars be performing better on the sales and marketing side in order to facilitate that. So I think that intentionality I think kind of expresses why we are very sincerely committed to making BigCommerce almost the e-commerce platform of choice for sophisticated GSIs to use and implement and build a practice on because it's open, it's customizable, it's meant kind of purpose-built for the type of product that yes, it can be very easy to set up but it has a lot of capabilities though that the GSIs can augment and create a lot of unique value behind and create profit streams behind it. There's a reason why our new president came from Accenture, right? That's a very important ethos for us and how we're thinking about this.

From the economic point of view, the way that we give a commission back to agencies when they refer business over to us, the percentage that they get from that varies depending upon what tier partner they are. So the bigger the partnership, the deeper that partnership with us, the higher the rate that they can earn and they earn a certain rate up through the initial contract life, it can change upon renewal, that kind of thing. It's very similar to what a lot of companies like BigCommerce do whether it's Magento or Demandware or others.

What we'd like to do more of in the future is create opportunities to do almost more like market development funds or co-marketing funds with those agencies. We're always going to have a really deep breadth of agencies that we're working with, especially in mid-market. We'd also like to start creating programs with some of our larger partners where we're almost co-selling together and going after a book of existing customers that's deeper where it's not as much a commission rate-based marketing expense on our side but it's more like a co-development fund that we would be doing with them.

To do that, you need to go deeper with a fewer number than the broader way that you can do that with more commissions and the existing structure. I think there's a place for both. There's different size agencies that one would prefer one versus the other. I have my own personal preferences on some that I like better than others but at the end of the day, it's about efficient market share growth to me. Both can serve a good purpose in that.

Maddie Schrage^ Hey, Daniel. Maddie with Key.

So obviously the story has changed a lot since your IPO timeline. My main question for you is where are you guys focused in terms of KPIs that you're looking for to see those improvements in order to get revenue re-accelerated? Should we be watching ARPA? Should we be watching NRR? What should we be watching from an investor standpoint?

Daniel Lentz^   I would say when we IPO'd the company, we were probably 50/50 between small business and mid-market and the lower end of enterprise. It's more like 25/75 roughly speaking today.

I think that in the past, part of the reason I've harped on this is because I think we made mistakes in the way we talked about small business because it gave the impression that it was not going to be an area that we wanted to sustain and grow in the future. In the past, sometimes I think that put investors in a position where they were almost having to model that business going down substantially which I think created a little bit of a headwind on the stock that didn't need to be there.

And so, sometimes I almost over adjust the other direction because I want to be clear about the intentionality.

Where we're going is we want to go to a place where we are as good at selling on clear and easy to understand customer differentiation as we are on product features and benefits. I think we have been very much associated with the product can do this and the product can do that and that is great for the developer audience as Travis talked about. But I don't think that we've always had a really clear and resonant message to a business buyer on what exactly we provide that works for the business side which is the whole agility discussion that Travis was talking about earlier and that we'll spend a lot more time in future quarters.

We want to be moving up market. I think I anticipate that the lion's share of our business will continue to be in mid-market and the lower end of the enterprise segment for a while. I think if we could end up with 80% of the features and functionality of the high end of the enterprise TAM but to do so with huge amounts of market share in that middle, I think we could do really, really well and have great growth there.

What are the metrics that we look at in order to unlock that? I think part of it is growth metrics and some of it is health metrics.

So from a health metric side of things, I think it's gross retention and net retention. We quote net revenue retention once a year. We put that in our K but we're trying very deliberately to talk about what we're seeing on a quarterly basis and gross and net revenue rates. Is it on path with where we wanted it to be? Is it improving or not?

We're probably not going to share that number specifically anytime soon. We already share the end result number at the end of the year, which I think is sufficient. But I think that's just best barometer of where we are with existing customer health. So that's number one indicator.

Number two, I would call out is billing's health. In the past, we've talked a lot about the fact that deferred revenue or RPO wasn't always a great harbinger for what was to come on the ARR side of things because we had predominantly month-to-month billing, which was legacy of the small business space. That's no longer the case. At this point, if you look at where we are in deferred revenue, we were up 35% or 40% last quarter. RPO was up even more than that. And that's an indication of the big improvement that we've been making in the duration of contracts, the advanced billing of contracts, and overall health of contracts.

But it's still not a perfect leading indicator of ARR growth because we still don't have advanced annual billing as the substantial majority of all of our new customer contracts. Until we get there, we're not going to look like you’re really, really big enterprise SaaS companies where deferred revenue is kind of the perfect billing's metric that you need to be looking at. But it is already for us a very, very good indication of where we are from a quality and financial health of those bookings already, which is why we're calling it out because that's part of why we're seeing such better improvements in cash flow.

So I'm looking at that because I think that that's a really good predictor for balance sheet health and overall cash flow health in the company.

Overall top line growth, I think that the number is the standard answer, but I think it's still the right one. Revenue growth rate, overall ARR growth rate. And if you look at where we've been so far through Q2, revenue growth rate was a little bit faster than where we were on ARR. And that's because so far it's been a little difficult in the front half of the year on new logo bookings, which we talked about that we're doing where we wanted to be on gross and net retention, but new logos has been tough. It's not an easy macro climate. That's why ARR has been a little bit behind revenue. Revenue growth rates been a little higher because of the contract quality, because we're seeing much healthier conversion of bookings to revenue than where we've been in the past.

So what I'm looking at then is retention of existing customers, health of bookings, overall growth and top of funnel. And then finally, the last one that I'm laser focused on and everybody internally hears me talk about all the time is sales and marketing efficiency.

Like, how much are we having to spend in order to get the revenue growth that we're seeing? And you can pick whatever number you want. You can use magic number, do the reciprocal, look at it from payback period. I don't care how you do the algebra. It's the same math. Absolutely focused on that. We are not going to go back to a place where we are not operating lean and efficient and profitably and we're accountable to not only accelerating revenue growth but doing it the right way. So I call out those four.

Ken Wong^ Ken Wong from Oppenheimer again. We've talked a lot about agency partners. I think one dynamic today when chatting with folks out on the floor is that it seems like there's a lot more tech partners than they've seen in the past. I guess one, as we think about the PR, PSR side of things, how should we think about kind of when that growth comes? Does it lead? Does it lag subscription?

And then secondarily, as you guys lean more into first party apps and driving cross sell that way, like how does that potentially impact the kind of the third party guys?

Daniel Lentz^ So we'll always have lots of tech partners at these events because I think some of the competitive advantage that we have is we have much more weight in market than you would expect based upon our total revenue today.

Why is that the case? Why does the ecosystem want us to be successful for the most part in such a big way? Is because we very deliberately are an open platform that is not competing with them or vertically integrating either in services with agency partners, there are many of them here today, or on the technology partner side where we get rev share and PSR to your question, Ken.

So I think part of the reason we have these events and part of the reason why we wanted to invite all of you here today is so that you could see that dynamic because if you don't see it in person, you may not understand how important BigCommerce is to the ecosystem. It really is disproportionate to the size of the company today because there's a huge market opportunity, our ecosystem sees how effective the product is, and I would say that our operational results have yet to meet the potential of the product that's already here.

So I think it's easy to hear these conversations and say, "Man, there's a lot of things we're working on, there's a lot of things that got to get turned around." Yes, true. That is true. But those are largely operational execution related things. Those are not product things. There are certainly gaps and we want to close and additional features that we want to add, but the product as it exists today is very, very, very strong and a part of that market where we're going after.

I think you see that in the presence of the folks that are here in the excitement level that's here. To your specific question about PSR and rev share, obviously. So if I think about the agency community, we have like two angles to the partners that we have. The GSIs that we work with, those are fundamentally about from where it hits P&L is in the revenue line item completely, but in the subscription line item in particular. It's either in new referrals and top of the funnel pipeline or it is in just speed and quality of implementation and how fast you get the customer up and running on the platform, which then leads to a faster realization of partner and services revenue on the rev share side of things.

So from my point of view, I am always excited and advocating to pull our GSI partners into our biggest and most important deals because those accounts tend to be launching faster, they're stickier, they tend to have better flow through to PSR. I just want to take better care of our customers, sure, of course, but I also really want to take care of our shareholders and there's a direct relationship between agency participation and quality and the results that we see and that the booking that you get and the total economic benefit that you get there, the better the agency involvement that you see, the better the services experience they have, the better the results that we see.

On the PSR side of things in particular, I think there is opportunity for us to continue to expand take rate for where we've been. I think that I expect PSR in the long run to be growing roughly in line with our subscription revenue. I think the way that most of our agreements are set up today on the PSR side, we don't take on credit risk, we have net revenue accounting for everything that we do in PSR and whereas some of our competitors, if they white label and take something on, they may take on credit risk or a whole host of other things and end up with gross revenue recognition, which makes the take rate look much higher and even in some cases, the revenue growth rate look higher, but it doesn't necessarily always flow through into profit.

Could we end up doing stuff like that in the future for certain parts of the market? Potentially, but I mean Brent's been pretty outspoken about this for a really long time that we want to be an open platform, we want to be a partner-friendly platform and so when you look at what we have in PSR, we believe we're capturing the substantial majority of the net economics that we can get there and I think that we can expand PSR over time, but I do think that it's going to be growing roughly in line with subscription revenue over time.

I do think there are opportunities to expand it, particularly in B2B where we're continuing to build out a lot of the payments and checkout stack within B2B that I think can expand our take rate and improve that as well.

Tyler Duncan^ All right, I think we're out of time. All right, that concludes our Q&A session. I wanted to take a minute to thank those who are here in person to join us here at ACL Live and those who are listening in.

As you can hear, there's a lot of exciting things going on here at BigCommerce and we look forward to sharing more in our next earnings call. Thanks, everybody.