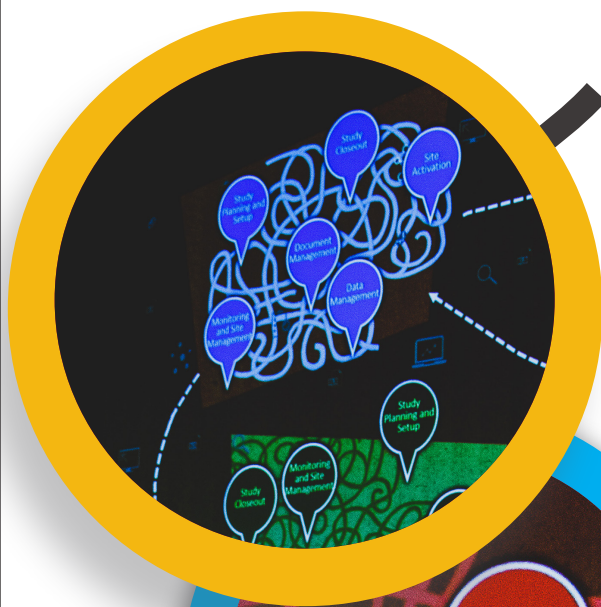# What It Takes To Dominate A Vertical Market

ABBY SORENSEN Chief Editor

JENNIFER GOLDSMITH
SVP, Veeva Vault

When Jennifer Goldsmith joined Veeva Systems in 2010, the company had one product line and fewer than 60 employees. Today it is approaching $1 billion in revenue thanks to its strong partnership with the life sciences industry.

Dropbox. HubSpot. Workday. Twilio. Domo. Box. These are six of the darlings of the SaaS world. Just about anyone who regularly reads *Software Executive* can rattle off a loose description of the kinds of software each one develops. Brand recognition aside, these companies have some key traits in common. Each was founded between 2005 and 2011. Each is publicly traded, with every IPO coming after 2012. Each has raised an astonishing amount of funding (a mind-boggling total of $3,287,600,000, to be exact, or an average of nearly $550 million per company). Each of these six companies has an enormous addressable market because of the horizontal software applications they develop. The list of public, horizontal software companies is likely to grow soon, especially if the speculation about Slack's IPO comes to fruition in 2019. Slack has piled up $1.2 billion in funding since being founded in 2007.

And then there's Veeva Systems, a software company founded in 2007 that has "quietly" amassed a $13 billion market cap since its IPO in 2013. At least it seems quiet compared to the noise made by those aforementioned unicorns. But there was nothing quiet when, in 2015, Veeva founder Peter Gassner laid out a plan for the company to reach a $1 billion annual revenue run rate in 2020 (back in 2018, Gassner said Veeva would hit this milestone a year early in 2019). And there's nothing quiet about the company's fiscal 2019 Q3 financial report that presented a 27 percent YoY revenue increase, a 25 percent YoY increase in subscription revenue, and a projection that it would end 2018 with total revenues between $855.8 and $856.8 million.

Oh, and has it been mentioned that Veeva has been profitable since its third year in business? So why isn't Veeva a household name in the SaaS world? In fairness,

Veeva has garnered its fair share of media attention and analyst enthusiasm — it's just not given the same widespread credit in SaaS circles as Dropbox or Slack. Maybe it's because the company *only* raised $7 million before it went public. Or maybe it's because Veeva blazed its own trail in the industry cloud category. The company is dominating the global life sciences industry — more than 80 percent of new drugs approved by the FDA over the past year have been launched using Veeva CRM. Veeva's website is adorned with customer logos from the biggest of the big pharmaceutical and biotech companies, including the likes of Pfizer, Bayer, Merck, GSK, Novartis, and Eli Lilly. Those are just a fraction of its 675+ customers (all of those examples, by the way, have revenues north of $20 billion, but Veeva's software is just as beneficial to midsize and emerging biotechs, too). It's easy to see why Veeva has dubbed itself "The Industry Cloud for Life Sciences."

Veeva's financial picture, especially the company's consistent growth and profits, is a lot rosier than many of its horizontal software peers in Silicon Valley. Yet it's often *those* companies that earn the lion's share of tech world press mentions, investor and analyst enthusiasm, and unicorn monikers. Look no further than Domo's underwhelming IPO in mid-2018 as proof. Domo's valuation was less than a quarter of what it was during its last round of funding, while Veeva's IPO in 2013 resulted in a 300x return for Emergence Capital Partners. And Domo's total funding amount at the time of its IPO was an eye-popping 98x that of Veeva's.

The point is, a software company *can* scale enormously by focusing only on one market. But this cloud software pioneer didn't become a vertically focused powerhouse overnight. Veeva's history and strategy make for an ideal case study for other software companies trying to dominate a specific vertical market.

THE INDUSTRY CLOUD OPPORTUNITY

Back in 2007, Gassner's idea of an "industry cloud" was groundbreaking. Gassner and cofounder Matt Wallach didn't create a horizontal solution that later pivoted — from the outset, their vision was to build a software company specifically for the life sciences industry. Gassner brought the cloud and product-building background from his days as a VP and GM at PeopleSoft and as the SVP of Technology at Salesforce. And Wallach, a Harvard MBA, brought industry know-how, having held roles like GM of the pharmaceuticals and biotechnolo-

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gy division of Siebel Systems and the CMO of Health Market Science, a LexisNexis company. This blend of technology and market expertise is what laid the foundation for Veeva.

Three years after founding the company, it was profitable but still had fewer than 60 employees and just one main product line. That's when Jennifer Goldsmith joined the team. She came to Veeva in 2010 knowing the company was ready to branch out beyond the realm of commercial CRM applications to tackle the content and data management challenges of the life sciences industry. Broadly speaking, Veeva caters to two main pools in the industry: commercial life sciences (selling and advertising approved products) and R&D (developing new drugs, conducting clinical trials, and bringing those drugs to market). Goldsmith, who is the SVP of Veeva Vault, heads up the R&D side of Veeva's cloud offerings.

Despite the company's relatively small size back in 2010, Goldsmith could sense she was jumping on a rock-

et ship — and the product she would help lead was the right kind of fuel for more growth. She knew the R&D side of the industry that she was most familiar with was still bogged down by pieced-together on-premise software, so there was an immense growth opportunity to introduce those potential customers to the efficiencies of the cloud. "There was a strong belief within the company that industry-specific cloud solutions can address challenges better than creating horizontal solutions that can then be modified," she says.

That strong internal conviction was met by plenty of skeptics. Goldsmith recalls, "Back when Peter and Matt started in 2007, a lot of what they heard was, 'You're crazy. It's about horizontal cloud, this is never going to work. It's too hard. You can't put those things in the cloud.'" Despite Veeva's proven track record with its initial CRM solution, Goldsmith heard the same cynicism in 2010 when Veeva made its push in to the R&D side of the industry. "When you hear, 'It's too hard, it's too

complex, it's never going to work,' it's usually an indication that there's a really good market there where you can change things for the better," Goldsmith says. "The complex problems, the ones that are really hard to solve, those are typically the ones worth solving."

INCUBATING NEW PRODUCT LINES

Goldsmith's task in 2010 was to help customers solve the complex problems associated with content and data management throughout the R&D process. For about a year, Goldsmith built what she describes as an incubator to work on the Vault solution. This wasn't just a separate product team — Goldsmith coordinated an autonomous group of sales, service, and development teams who worked hand in hand to create the software and push out the first release. This incubator team was also tasked with driving initial market awareness, since the Vault solution was the first of its kind. In a sense, Goldsmith was overseeing a startup within a startup.

Goldsmith didn't go out and find content management experts to come in and build the Vault product. Nor did she rely solely on a team of seasoned life sciences experts. And she didn't build a team only from Veeva's existing employees who were responsible for developing the CRM product. "With this team we wanted to bring in people who were open to new ideas and excited about doing new things, not just to rehash old ideas," she says. Of course, a certain degree of industry expertise is necessary. But one of the key players on that Vault incubator team had no prior experience in content management or in the life science industry. He hailed from Salesforce, where he was a founding member of the platform product team.

The Vault product team operated as a separate entity within Veeva until the product was live. Then the Vault sales team transitioned back in to Veeva's existing internal structures, so that the Vault sales team moved in to the Veeva sales organization, the Vault services team became part of the Veeva services team, etc.

When Veeva launches new products, they do it the "Veeva Way," which means execution with a small number of early customers and making them successful for reference selling. The company is very intentional about how it selects its first customers. A key benefit of being an industry cloud software company is the ability to get ideas and feedback about new products from an already-engaged customer base. Veeva limits the number of customers who are first to see new products. Goldsmith calls these "reference customers," not "beta customers" or "early adopters." She says, "There's a lot of word of mouth in life sciences. When you get into a vertical market like this, everyone knows everyone else. It's a small world, and so we focus on making sure that we've got it right with reference customers so that we can keep it right over the long term."

A CLEAR & CORRECT TARGET MARKET

Veeva didn't raise hundreds of millions of dollars to buy its market share in the life sciences industry or to build out the Vault product line. So how did the company grow to nearly a billion dollars in revenue? Goldsmith credits the "Veeva Way" of doing things, and central to this methodology is focusing and executing on a clear and correct target market.

The "clear" part of this equation is fairly straightforward. For Veeva, it means building software for life sciences companies of all sizes to use from R&D through commercial phases. Its key industry segments include pharma/biotech, consumer health, animal health, medical devices and diagnostics. Its solutions are designed to help these companies streamline the way they bring medicines and treatments to market. Clear.

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Understanding the "correct" part of the methodology requires more nuance. There isn't a surefire way to tell if a market is correct until you've spent some time in that market. It's not as simple as looking at the overall spending power of potential customers and then calculating your software's ability to scale within that market. "The key to that particular saying," Goldsmith says, "is understanding how to evaluate if something is correct and when to do that. You may move into a market and realize along the way that it's not correct. If you assume the market is always correct, and you allow it to go further, and it turns out not to be the case, you can actually do a lot of damage in your market."

Identifying that clear and correct target market is just the first step. The next key to success in a given vertical is being able to blend industry knowledge with software capabilities. This combination is why Veeva was a bicoastal company right from the start. Gassner, with his product building background, wanted the development arm of the company rooted in the software culture of Silicon Valley. The company's global headquarters has always been in Pleasanton, CA, but Wallach set up shop on the east coast in Radnor, PA, outside of Philadelphia, which is closer to the pulse of the life sciences industry. Today, Veeva has four offices in North America in addition to 13 global offices that span Europe, South America, Asia, and Australia. While it may seem unusual for two people to start a company while working on opposite coasts, this helped facilitate that blending of software plus industry expertise that is necessary to succeed in a vertical.

When Goldsmith was considering joining the Veeva team almost nine years ago, she still remembers a specific conversation with Gassner. He asked her if she was absolutely sure she wanted to sign up for launching a new product line for the company. Goldsmith was sure, and she still is sure that it was the right move. Gassner told her there would be both good and bad days ahead – something true for all software companies. "You need to apply the focus and the execution to your market," Goldsmith says. "And if you apply Peter's logic, and on those 'bad days' you keep at it, keep focusing, keep executing, you will move forward." Moving forward is exactly what Veeva Systems continues to do — and will continue to do, even after it reaches its $1 billion revenue goal. ⓢ

COMPANY	YEAR FOUNDED	IPO DATE	FUNDING	APPLICATION TYPE
BOX	2005	2015	$559 million	Horizontal
HUBSPOT	2005	2014	$100 million	Horizontal
WORKDAY	2005	2012	$230.6 million	Horizontal
DROPBOX	2007	2018	$1.7 billion	Horizontal
VEEVA SYSTEMS	**2007**	**2013**	**$7 MILLION**	**VERTICAL**
TWILIO	2008	2016	$200 million	Horizontal
DOMO	2011	2018	$698 million	Horizontal

SOFTWARE THOUGHT LEADER SPOTLIGHT

JENNIFER GOLDSMITH

SVP, Veeva Vault

How does a psychology major and a founder of a literary magazine eventually find her way to a key executive role at a vertically focused life sciences cloud software company with $850+ million in revenue? That's one of the first questions *Software Executive* asked Jennifer Goldsmith, SVP of Veeva Vault.

Her journey started at Cornell, where she pursued a psychology degree and continued her fascination with how the brain worked (and things like clinical pathology, psychopathy, and neurosis). After her junior year at Cornell, Goldsmith took a year off to work at Devereux Advanced Behavioral Health. There, she worked with severe cases involving dually diagnosed autistic children. "It was really fascinating," Goldsmith recalls. "It gave me access to a healthcare community that I hadn't seen before, and I became enamored with how that community operates."

She considered pursuing a Ph.D in psychology, but after graduation she decided to follow another passion: creative writing. Goldsmith had been writing and publishing both prose and poetry for several years. She founded a literary magazine that "explored human nature and the way in which minds work." Her passion for both the literary and healthcare worlds landed her a role at Charles Press Publishers. Goldsmith was hired as the office and marketing manager, but she ended up wearing an IT support hat as well, in addition to writing and editing responsibilities. "They had a FoxPro database, and the marketing list would fall over, so I learned how to build databases in Access and learned FoxPro so that I could actually fix these databases and machines," she says. "We were a small, independent press. It's what we needed."

From there she joined Computer Sciences Corporation as a consultant right as the Y2K craze was sweeping the country. She learned more than just consulting techniques and business strategy there — she also learned more programming languages like Cobalt, C++, and PowerBuilder. Goldsmith was assigned to Janssen, a division of Johnson & Johnson, to help build the company's first regulatory submission system. Her experience with documents, publications, and workflows made her uniquely suited for the role.

"It was a natural fit for me and something I really loved because it was about taking content, building it, and putting it into a format that's accessible to others," Goldsmith says. "Finding a way to move that content forward for review so that you can achieve the end goal of getting the product approved is how I got into this realm of content management software for life sciences." Her career path includes stints at Fujitsu and IBM before she joined Veeva Systems in 2010.

Today, she leads Veeva Vault, the first cloud-based regulated content management solution for the life sciences industry. It's a key product line for Veeva Systems that she helped the company build, launch, and expand. Her status as an industry thought leader goes beyond cloud software solutions. She was named one of the Top 100 Most Inspirational Leaders in life sciences by PharmaVOICE, served on the Healthcare Advisory IT Committee at Pennsylvania Bio, and has been a staple on the industry education circuit, including presentations for groups like the Healthcare Businesswomen's Association.

"If you look at my background and education, it's not obvious that I would be in a role like this. I've seen a lot of people during the course of my career walk away from opportunities where they could have done tremendous things because they felt like they didn't have the right background," Goldsmith says. "Some of the best people I've worked with in the software space were never computer science majors. Some don't have a college degree, some are music majors, some are math majors, some are people who wanted to be anthropologists or archeologists. That diversity of thinking is helpful, especially in a startup environment where you don't know what challenges you're going to be tackling day to day."