

David Starr: Welcome to the Microsoft Industry Experiences Team podcast. I'm your host, David Starr, and in this series you will hear from leaders across various industries discussing the impact of digital disruption and innovation, sharing how they've used Azure to transform their business. You can find our team online at aka.ms/indxp or on Twitter @industryxp.

David Starr: Kelly Goetsch is Chief Product officer at commercetools. He came to commercetools from Oracle, where he led product management for their microservices initiatives. Kelly is the author of three books about e-commerce. Kelly, welcome to the show.

Kelly Goetsch: Thanks. It's good to be here.

David Starr: Yeah, I think we're going to have a really great conversation about some of the emerging trends in retail. To do that, can you first tell us a little bit about commercetools and how you impact the retail space?

Kelly Goetsch: Sure. commercetools was actually founded in 2005 as the first Hybris SI. Hybris was the e-commerce platform that SAP bought a few years ago so if you hear of SAP commerce, that offering, that is actually Hybris behind the scenes, and Dirk, the CEO of commercetools and the cofounder, was friends with those folks and ended up doing the first Hybris implementations in Europe. In 2011, Dirk saw the commerce platform space as a very active participant and thought it was time to go build a new commerce platform from scratch, so he raised some money and launched that product in 2013 as the world's first cloud native microservices batch, API first commerce platform.

Kelly Goetsch: Our product is actually very much aligned with Azure and the other public clouds where you log in, you create an account, you create a project, and you get a big list of APIs that you consume almost like a Lego box, so you can build your solution with these little pieces. So we offer APIs for shopping cart, for inventory, for pricing, and they're individually consumable, so you can just go buy a shopping cart, you can just go buy a product catalog, you can buy all of those pieces.

Kelly Goetsch: The company today is about 200 people and in the past, probably 18 months or so, we've really found our market fit. We've been selling to the top enterprises out there and ... Yeah, it's a good time to be part of the company. I think we really made it.

David Starr: That's fantastic. So you mentioned something that sounded like multi-cloud, what role does Azure play in your solution?

Kelly Goetsch: We event out to Azure, so in our platform you can subscribe to events, and our events are very different from messages. In commerce platforms in the past you used to do point-to-point messaging and it was typically something like JMS for example, and in our platform you can actually subscribe to events so we can

push those events out to Azure service bus and then from there you can execute Azure service functions or anything else within the whole Azure ecosystem because Azure is very event based. So many of our customers implement all of their customizations through these events and then these functions and it's the same with customizations that are synchronous as well. So you can actually service functions from Azure directly into our platform.

Kelly Goetsch: And then besides that, we are planning on actually deploying our platform to Azure and supporting it as a full top-level cloud ... Not only would your front-end and your customizations be in Azure, but the underlying commercetools platform itself would be within Azure as well.

David Starr: Does that mean I'd be able to go to the Azure market place and just say, hey, I want a new instance of commercetools?

Kelly Goetsch: You don't really provision the software, it's very API based, so you would go provision an account, provision a project on our side, and we give you a URL, which is api.commercetools.com, and then we give you a project key and then you can start making requests against our APIs, either directly or through an SDK.

David Starr: Okay.

Kelly Goetsch: So we're available today.

David Starr: Does that mean you're multi-tenant right off the bat or does each of your customers get its own implementation?

Kelly Goetsch: We're 100% multi-tenant. We always have and always will be. That's a founding principle of our company and it's something we're very proud of, and there's so many benefits to that from a customer standpoint. Again, multi-tenancy is pretty new to the commerce platform space, but by being multi-tenant as a platform company we have exactly one version of our software to support which makes support easier, it makes trouble-shooting a lot easier, everything is much easier. Where the legacy platform 10, 15 old versions of their software that they'll have to maintain and support we have one software stack that we have to support and manage, so from an op standpoint it's much easier, you don't have a thousand environments to secure. And then from a cost standpoint for us, we're not standing up software, it's not a like ticket goes somewhere when somebody wants some capacity, it's a multi-tenant platform so we just give them access. And then we use Kubernetes to scale up and down the platform dynamically, so as our customers gain more capacity, that's up to us as a vendor, we're just adding more capacity, removing it, sometimes on a second by second basis to meet that demand.

David Starr: Are you using the Azure Kubernetes service?

Kelly Goetsch: Yes, and we've done full testing, works flawlessly. We're really happy with it.

David Starr: You mentioned, when you and I last spoke, that you guys do some internal proof of concepts-

Kelly Goetsch: You guys do POCs with us for customers, so sometimes our prospects will want a demo or a reference, application, and that's pretty full stack, so that's our software but it's also the customer's front-ends as well.

Kelly Goetsch: And then internally, we've done validations so we know that it works. Azure works perfectly fine for us. And then for customers, when it comes to time to do co-selling, we know who to call within Microsoft to get us connections to the local sales teams.

David Starr: At least it helps you navigate Microsoft a little bit better. I'm glad to know at least you're getting the services you need from us.

David Starr: What does being a Microsoft partner mean for you? What has it meant so far?

Kelly Goetsch: What we like about Microsoft is you as a software vendor can offer us and our customers a lot of support that other cloud vendors might not necessarily be able to. And for our ops team, I think we're pretty self-sufficient, but many of the organizations we're selling our commerce platform into are fairly new to cloud and they need hand-holding, they need a lot of professional services, they need support, they need an account team, they need architects to show up, and that's where Microsoft really has excelled to date is being able to offer that team of folks to come in and help us, not only in the sale but also after the sale occurs, making sure that they're successful. So that's primarily why we're with Microsoft ... And Azure is great, it's always a top rated cloud platform and now with Kubernetes' support it has all the checkboxes that we and our customers need.

David Starr: So you've actually used Microsoft consulting services it sounds like, to come in and help you build your solution?

Kelly Goetsch: We haven't personally. We've got a pretty crack team of Germans, they can figure this stuff out, and we haven't found it necessary yet on our side, but from a customer standpoint ... Again we're selling it to these big enterprise who even just two years ago were very anti-cloud and it seems that that opposition to cloud has really shifted in even just the past two years. So those folks are all now saying, well, I've got this big legacy on-prem footprint, what is this cloud thing? How do I start actually adopting it and not just shifting the MS over? Because that was really the first way of cloud adoption was just fork lifting the Ms from the M-ware into public cloud, but how do we use an event-based architecture? How do we do data streaming? What does it mean to be truly cloud native? That's a very different thing.

David Starr: Although I will say that, in my experience at least, virtual machine lifts are pretty much the most common thing that'd happen on a cloud platform. It's a first step for people.

Kelly Goetsch: Agreed. It's a very good first step, but once those footprints are moved over, then the question is, well how do we build our new applications? How do we build them natively to fit inside of a container or not even use a container and go server-less completely? How do we do that? That's where I think you as Microsoft bring a lot of value to the table for us.

Kelly Goetsch: Remember, we launched in 2013 ... We actually chose Rackspace as the first ... It was back in 2011 when the platform was under development, Rackspace was up there at the top along with you and AWS. Rackspace had a really good German presence which is something that as a German company we really needed, so we built the platform to be containerized from the very beginning and we've deliberately tried to make sure everything fits inside of a container so that we do have that portability because it's an uncertain future out there. That's why we're really happy to be able to support Azure now so easily because we can just move our workload over. But our customers will use, and do use, just dozens and dozens of Azure services, from DNS to load-balancing, mobile app framework, the whole service bus for all the inventing, top to bottom, those front-ends, those clients, that custom code, that's very, very heavily dependent on the whole cloud ecosystem on which it's being built.

David Starr: There's a discussion right now about how in the last couple of years we went mobile first and some organizations like manufacturing are talking internet of things first now and another thing that people are starting to talk about is cloud first and then mobile, and I'm wondering what's your take on that.

Kelly Goetsch: Yeah, I agree. So for application architecture and deployment architecture, it is absolutely a cloud first world. No doubt about that today. That's, again, a fairly recent development. It's only been the past few years that all of the major clouds have really supported true cloud first development, not just in terms of the M support, but the whole stack from top to bottom. And then for clients, mobile is absolutely the default. So in 2016, so even two or three years ago, the mobile versus desktop traffic lines converged and we now see more, in the commerce space at least, we've now seen more mobile traffic than we did desktop traffic, and those lines crossed in 2016. So we're an absolutely mobile-first company and that's what we see our customers adopting as well because that's where people are browsing and viewing so it makes sense that you're there.

David Starr: Let's make it fun for just a second, what big shifts or trends in retail are you seeing right now that you're getting really excited about?

Kelly Goetsch: I'm cautiously getting excited about clienteling.

David Starr: Cautiously.

Kelly Goetsch: Cautiously. There are two companies, there's New Store and there's Tulip, and people put a lot of money to those companies and they seem to be doing okay, the technology is phenomenal, and what excites me about it is if you go to a traditional store, like you physically walk to a retail store and want some support, the store associates typically have far less information than you do in your pocket. You want to know the difference between two different styles of jeans, they don't know. They'll tell you to read the label and the tag. The physical retail store experience is still pretty antiquated, and that's where as a vendor I'm excited to see other vendors making in-roads into the space, giving folks iPads, giving them that Apple Store experience but in a traditional apparel store environment for example, but we really need to modernize that, and Tulip and New Store are doing a good job of starting. Now, they haven't been as successful as I had hoped, and that's largely because those in-store teams within retailers, that's a different division, that's different from the more commerce-focused groups that we work with in the commerce platform space, but those in-store teams are very slow and they're using pretty antiquated technology and it's hard for them to adopt these newer styles of technology. So I'm pretty excited about that.

Kelly Goetsch: I'm also pretty excited, this is maybe more of a selfish thing, I'm sick of buying clothes that don't fit me, and there are a couple of new startups, like one is called True Fit for example, and they're revolutionizing fit for clothing. So to be able to measure yourself and then shop by how something fits rather than just the label and the tag. I mean, I have things in my closet from a small to an extra-large and my wife is the same way, and it totally depends on the brand, the manufacturer, the style ... There's so many variables in clothing in how it fits and I'm excited to see these vendors really tackle that problem. I'm cautiously optimistic they're going to make it, but it's still a little bit early for them.

David Starr: Sounds like the early steps of maybe I stand in front of my monitor and turn around 360 degrees and they just fit the clothes to me.

Kelly Goetsch: Yeah. Yeah, exactly. And even now with augmented reality and virtual reality, maybe we'll get to that point in some point soon. You could theoretically do that.

David Starr: Do you see a use case for augmented reality?

Kelly Goetsch: I do, but I think the devices have to get smaller. So right now you can't have these big ... I have a hollow lens for Microsoft, and that's a good \$3,000 and it's enormous, it looks like I'm a cyborg or something walking around with it on my head. It's a power of a full gaming computer attached to your face and its ability to overlay the virtual into the physical world is outstanding. I could absolutely see a use case where you throw one of these on and when walk in a car lot if you're a car dealer, and you can search for products, refine filter, you can view the add-ons and maybe those get highlighted, I could see that. And I could see

walking through a mall and having virtual shopping tags hanging off of displays where you could click on something and get more information, but the devices have to shrink and then I think there'll be a pretty good ecosystem that develops around it.

David Starr: This has been fantastic. I really appreciate you being on the show, but I think we're at time now. We're going to have to call it a day, I'm afraid.

Kelly Goetsch: Well, thanks for having me. I've enjoyed our discussion.

David Starr: I have too very much. You taught me a few things, I always appreciate that.

Kelly Goetsch: Always happy to.

David Starr: Thank you for joining us for this episode of the Microsoft Industry Experiences Team podcast, the show that explores how industry experts are transforming businesses with Azure. Visit our team at aka.ms/indxp and don't forget to join us for our next episode.