

# Strategy switch puts zoom in Digital Fuel

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Two years after overhauling its sales strategy, Digital Fuel Technologies is enjoying turbo-charged growth.

The 7-year-old San Mateo business software firm plans to boost headcount from 100 to 150, double revenue millions from the "teens to the high 20s" and add to its base of several hundred customers — all in the next year. This is a dramatic turnaround from its early days when the firm struggled to stay afloat.

"What a lot of people probably don't appreciate about startup companies," said Peter Solvik, a managing director at Sigma Partners which, with Benchmark Capital and other firms, invested a total of \$37 million in Digital Fuel, "is that often the most difficult part isn't necessarily developing the product but figuring out how you're going to go to market."

Digital Fuel's software helps IT, telecommunications and business process service providers manage all of the performance, financial and regulatory aspects of doing business.

Initially the company licensed its product directly to firms such as Nestle, Procter & Gamble and General Electric. But the cost of setting up each one-time deal proved too high to sustain.

So, by 2005, after bringing on Apax Partners as new investors, purging some executives and refining its product, Digital Fuel began selling to professional service providers such as Hewlett-Packard, BearingPoint and Capgemini. These giants then included Digital Fuel's products in the outsourcing work they do for large companies. Digital Fuel now has 50 service providers bringing its software to 400 enterprise customers.

"It allows us to get to a wide audience with low cost," said co-founder and CEO

Yisrael Dancziger. "Who better to sell to corporate America than the EDSs and IBMs of the world?"

Recently, for instance, Siemens Business Services, a unit of the German engineering giant Siemens, won an outsourcing contract to take over the British Broadcasting Corporation's IT unit, including more than 28,000 desktop PCs. The move was part of the BBC's cost-cutting strategy.



Dancziger

The BBC required all bidders to provide round-the-clock visibility into their performance and spending. Digital Fuel's software offered this function.

"When they won the deal, we were included," said Dancziger. "We see that all the time."

Dancziger said the company reached profitability for two quarters but is now back in investment mode, particularly as it seeks to double the size of its sales team. About half of Digital Fuel's employees are in North America, with another large group in Israel.

The company is intent on lowering costs, however. Bookings increased six fold in the first quarter of 2007, compared with the same period two years ago, while expenses dropped 15 percent.

Digital Fuel may have accelerated quickly but Dancziger aspires for much larger growth. When he first arrived in Silicon Valley from Israel to start his company in 2000, he worked for months out of a Motel Six on Ralston Avenue in Redwood City.

"I would look out of the window and see the buildings of Oracle, and say, 'We're going to be that size at some point.'"

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