



Five MIT Sloan companies to watch

Entrepreneurism has always thrived at MIT Sloan—and it continues to do so, even in today's economy. Despite the market turmoil that has presented enormous challenges for businesses worldwide, companies like Voxify, InVivo Therapeutics, Julianna Rae, HubSpot, and Visible Measures have all found ways to survive and flourish through the downturn.



Patrick Nguyen, SM '93

Voxify

Innovating new markets

Patrick Nguyen, SM '93, and his two co-founders (also MIT alumni) had no industry experience in speech recognition technology when they decided to start their company, **Voxify**, in 2001. They were simply three entrepreneurs looking for an area of enterprise software that was ripe for taking off, Nguyen recalls. Eight years later, with quarterly revenue on a continuous upswing, a growing client list including Continental Airlines, Rite Aid, and MetroPCS—along with a recent \$15 million investment led by Intel Capital—they seem to have done just that.

Built around their patented “Conversation Engine,” the Voxify product is the first to create automated agents with the conversational skills needed to handle even the most complicated customer service calls. “The real challenge with speech,” Nguyen explains, “is that it is a very different medium from the Web. People are very familiar with the Web as a user interface, and a whole population of developers has experience in building websites. But speech is still a relatively new medium, and there are many challenges in designing an application that effectively guides callers to achieve their intended outcome without requiring a human agent.”

In the past, companies tended to crack this problem by doing what Nguyen describes as “throwing bodies”—assembling teams of PhDs and professional services people with specialized expertise. Although this sometimes resulted in good systems, they were very expensive and took years to roll out. Being software engineers at heart, Nguyen and his team streamlined the entire process. By codifying a number of speech best practices and techniques and then building them into a software platform, they were able to automate the process of developing an enterprise-class speech application. This made the process much faster and much less expensive as well.

“It was an opportunity,” says Nguyen, “to take something that had been left in the realm of experts and artists and turn it into something that was much more of a science.” From the very beginning, that focus on simplicity has been the key to the company’s success. They landed their first customer, DreamWorks Studios, in 2002, just before raising their first round of venture capital. Since then, the company has never stopped growing. Having moved into the financial space with the insurance giant The Hartford, Voxify is now building a partnership with AT&T—one of the major players in the call center world—and is well on its way to sustainable profitability. “Right now, I would classify ourselves as a mid- to late-

stage venture-backed company,” says Nguyen. “However, there is definitely a huge untapped opportunity in the marketplace to grow a \$100 million company in terms of revenue in this space.”

Nguyen notes that MIT Sloan played a key role in the company’s success every step of the way. “In the beginning stages of a company,” he explains, “you can’t afford a CFO, a VP of marketing, or a VP of operations. A startup is like a microcosm of all these disciplines in one concentrated place. Among the founders, you have to perform all of these various roles at once. The only way I was able to accomplish this was through my experience at MIT Sloan.”

InVivo Therapeutics, a Cambridge-based medical device company, isn't just poised for success—the company is well on its way to creating a whole new clinical franchise in medicine and changing the lives of millions of people around the world who suffer from spinal cord injuries. Focused on combining polymers and stem cells to restore function in paralyzed individuals, InVivo Therapeutics has made a number of promising incremental steps toward finally unlocking the most difficult challenges surrounding the treatment of spinal cord injuries. Through a collaborated effort between MIT's Langer Lab and the Department of Neuroscience at Harvard Medical School, they have developed a device, which is due on the market in 2010, that will provide the first “neuro-tissue engineered” therapy for spinal cord injuries. The developments that follow promise to help prevent the secondary loss of function associated with spinal

cord trauma—including sensory, motor, bowel, and bladder—and, in the future, to potentially restore even fully paralyzed individuals to the level of function and activity they had prior to their injury.

For **Frank Reynolds, MBA '06**, chairman of the board, CEO, and one of the founders of InVivo Therapeutics, the company is more than just a business, it is his life's calling. When an accident left Reynolds paralyzed in 1992, many believed he would never walk again. But after spending years in bed, with little progress being made through traditional medical methods, he created his own plan for recovery. Fifteen months later, he was out of his body brace and establishing an impressive career at Siemens Corporation. When he came to MIT Sloan as part of the Sloan Fellows program in 2005, Reynolds met Professor Bob Langer, a prominent medical innovator working on new ways to approach spinal cord injuries. Within 10 minutes of meeting, the two knew that they should be working together. “It truly felt like it was my destiny,”



Frank Reynolds, MBA '06

Reynolds says. “When I was paralyzed, I was in health care on the mental health side of the business and was conducting FDA trials for anti-depressants. So I understood the regulatory path for getting a product to market, I knew about the design of studies, and I had exposure to all the areas of a life science company. Though my career plan wasn't about developing a treatment for paralysis, when the opportunity presented itself, I decided to risk it all. I knew that everything I'd been through in life personally—and all those skill sets I had developed professionally—were going to be utilized for InVivo.”

Still studying at MIT Sloan when the company was founded, Reynolds split his time between classes and the InVivo office on the edge of campus. In May 2006, he completed his thesis, “InVivo Therapeutics Corporation.” Dedicating himself full-time to the company, he quickly made great strides toward a number of important goals. The company arrived at primate studies faster and for less money than any other company in the history of life sciences. Given the company's unprecedented success rate, Reynolds is hopeful that InVivo could one day change the lives of countless people who are suffering just as he once did.

“Nobody could ever explain to me why I walked again, but this really answered it for me. The reason I walked again was to bring this technology to market.”

INVIVO
THERAPEUTICS

The success of Cambridge-based software company **HubSpot** comes from the simple awareness that the world we live in today differs vastly from the world of 50 years ago. Founders **Brian Halligan, MBA '05**, and **Dharmesh Shah, SM '06**, realized that while it was once possible for marketers “to interrupt their way into customers’ wallets” (as Halligan puts it) via television and radio ads, e-mail spam, or cold calls, people have become better and better at blocking out marketing. Whether it is through TiVo® or Satellite Radio, spam blockers or Caller ID, audiences now have the tools to completely filter out the intrusion of traditional advertising. A new approach was needed to take advantage of the way people now tend to shop.

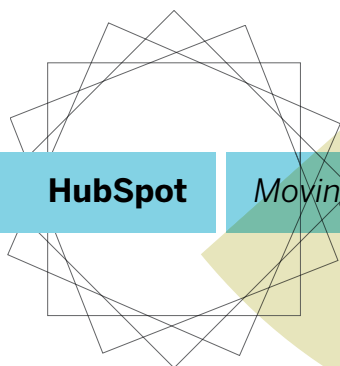
To that end, Halligan and Shah conceived the idea of inbound marketing, a strategy that enables potential customers to find companies over the natural course of their learning and shopping on the Internet. Halligan believes it is the beginning of a new macro-level trend in marketing—and judging from the success of their software, that trend is already in full swing. After

raising their first round of angel funding with the help of MIT Professor Ed Roberts in June 2006, they immediately began attracting both customers and investors. General Catalyst led a \$5 million Series A financing in 2007, and Matrix Partners led a subsequent Series B round in June 2008. And with 2009 projected to be another year of 300-plus percent annual growth, HubSpot has clearly tapped into an important need within the market.

To say that the company began at MIT Sloan could not be more of an understatement. Not only did the two founders meet at the School—and not only was Professor Ed Roberts an early investor—but Halligan and Shah also utilized their classes at MIT Sloan whenever possible to help solidify their future business plans. “Because we were going to do a startup together, we knew that at some point we would have to work through founder issues, founder equity, and founder compensation,” says Shah. “We said, ‘Let’s just work on it together in a nice safe academic setting.’” Now, with seven out of the nine people

on their management team being MIT Sloan alumni and their office literally only a block from campus, the MIT Sloan connection continues to be strong.

“We would love to create a historically significant, publicly traded company right here in Kendall Square,” says Halligan. “In the technology industry, there has been a longstanding rivalry between Boston and California. We would like to build a Silicon Valley-style company in Kendall Square, right across the street from MIT. We are trying to learn as much as we can from the successes of Google and eBay, so that we can create another center of gravity in this new marketing space.”



HubSpot

Moving the world to inbound marketing

HubSpot



Brian Halligan, MBA '05



Dharmesh Shah, SM '06

In 2004, when **Juli Lee, MBA '95**, first began laying the foundation for her women's apparel company, **Julianna Rae**, the odds seemed to be stacked hopelessly against her. An apparel brand getting its start on the Internet—with no stores, no catalog, and no other source of brand recognition—was unheard of. And Julianna Rae specialized in selling high-end lingerie and sleepwear, products then considered very difficult to sell online. Five years later, the company boasts a triple-digit growth rate through nearly every year of its existence, and is on track for the same in 2009 when retail is having one of its worst years ever. Amassing an ever-growing customer base through word-of-mouth and TV and magazine features ranging from *The Today Show* to *Vanity Fair* and *Lucky*, Julianna Rae has rewritten the book on how to start a clothing line.

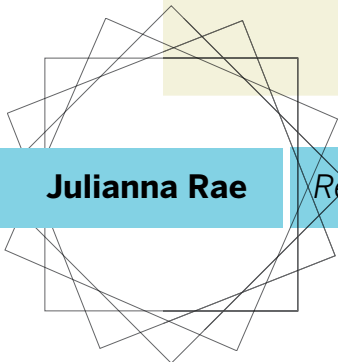
Much of the company's success, Lee explains, comes down to what is probably the simplest rule of business: Find a need and fill it. "As my friends began to hit their 30s," she recalls, "they started complaining to me that they couldn't find good lingerie out in the market. The more research I did, the more I saw a big gap between the spot where brands like Victoria's Secret leave off and brands that cater to older women pick up."

Having designed for a number of years for companies like J. Jill, Nordstrom, and L.L.Bean, she knew the apparel market well. Lee also realized that she could tap into a huge buying public above the age of 30. After finding a pair of partners to round out the management team, they dove in and found new ways to handle problems of distribution, marketing, and branding.

Simplicity was a key element to the success of the website. Knowing that the age segment they were targeting was not always the most familiar with the Internet, Lee and her partners made sure that purchasing products on JuliannaRae.com was as easy as possible. Eliminating the cost of shipping altogether erased one of the biggest inhibitors to buying an unknown brand. The way in which the Julianna Rae product was positioned within the market was also important. While most sleepwear and lingerie are marketed with a big bedroom focus, Julianna Rae took another tact. "Our brand is not about being in the bedroom," Lee says. "It is much more a lifestyle product that is about making the customer feel good. When we first started our photography, we focused more on people doing things you wouldn't normally do in lingerie, to give it a little more humor appeal and a little whimsy."

The formula has paid off. Over the past few years, Julianna Rae has grown to include a printed catalog, and is now carried in a number of select high-end resorts, including seven of the top 10 destination resorts in the United States as rated by *Condé Nast Traveler* magazine. And, as if that were not impressive enough, Julianna Rae products have also been worn at one point or another by every cast member of TV's *Desperate Housewives*.

Lee says her MIT Sloan background has been critical in how she has thought about, analyzed, and planned Julianna Rae from the beginning. "My undergraduate degree is from MIT as well. I think some people may laugh because here I am designing underwear, but design is a very visual and creative process. So much of what you incorporate into design and how you create a product is based on analyzing the needs of your customers. MIT has been critical in helping me build a basis for the disciplined, data-driven way we think here."



Julianna Rae

Rewriting the rules



Juli Lee, MBA '95

Julianna Rae



Brian Shin, MBA '06

Visible Measures

Advertising reinvented

In response to the soaring growth of the Internet video market, **Visible Measures**—a Boston-based company founded in 2005 by **Brian Shin, MBA '06**—allows Internet video publishers and advertisers to track the consumption of their content in a number of new and meaningful ways. Using as a guide the gross rating point system already familiar to television and radio advertisers, Shin developed a series of new metrics designed specifically to account for the much more social and data-rich landscape of the online world.

Traditionally, Shin says, an advertisement was rated according to reach—a measure of how many people you were able to touch with your message, multiplied by the frequency with which you were able to do so. Extending this formula, Visible Measures tracks video content according to what they call *true reach*, a metric that measures the total audience that has been exposed to an online video campaign. “The idea is that we measure the consumption of both paid and social video content—all the clips that are related to a particular ad/film campaign. We do this across 150-plus video-sharing sites like YouTube, MySpace, DailyMotion, and Metacafe, measuring all the clips related to a campaign across 150-plus video-sharing sites.”

Another set of metrics, known as *engagement* metrics, measures the intensity of each user’s experience while viewing a given video: Did they stop midway through? Did they rewind at a certain point? Did they watch it again—and, if so, how many times? Finally, a set of advocacy metrics measures the very important social aspects of the Internet, monitoring whether a user forwarded a given video to a friend, linked to it from the website, or posted it on Twitter.

This innovative approach has made Visible Measures an important resource for advertisers. Ever since Shin, with the help of Professor Ed Roberts, raised his first round of angel funding while still a student at MIT Sloan, the company has grown as quickly as the world of online video itself.

“I would go so far as to say that MIT Sloan is the reason this company got off the ground. And I say that with total gratitude and humility because MIT really did everything for me. Before coming to MIT Sloan, I had been an entrepreneur with some small successes. But after coming to MIT Sloan, I believed there was a platform to dream bigger—it wasn’t impossible for a guy like me who has no experience in advertising to start a company that could potentially be a part of reinventing the way that advertising works.”

Having just raised \$10 million in Series C funding, Visible Measures is working very closely with companies such as YouTube, MTV, MySpace, and Sony. And they are looking forward to establishing Visible Measures as an important economic force in the Boston area, just around the corner from the company’s birthplace. ● ● ●