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Business smarts matched by emotional IQ

IMVU's Rosenzweig known for people skills

BY PATRICK HOGE
San Francisco Business Times

IMVU Inc. CEO and President Cary Rosenzweig is good with people.

That's the word from those who work for him and investors who back him — and the way they see it, Rosenzweig's benevolent touch is good for the online virtual world company's bottom line.

"He has a very, very high emotional IQ. What I mean by that is he has the ability to get the most out of people," said Spencer Tall, managing director of Allegis Capital, who sits on IMVU's board of directors.

When Rosenzweig took over as president and CEO of Palo Alto-based IMVU in November 2007, the 3-year-old company was losing more than \$500,000 a month after a period of rapid then stalled growth.

Users — primarily young adults — were angry about inconsistently applied terms of service, customer service was overwhelmed, and tools for making money were lacking.

Rosenzweig, a former rabbinical student with a track record in marketing at large consumer goods companies and executive roles at several technology companies of varied sizes, took tough actions.

He replaced three of five vice presidents and laid off a dozen employees — about 20 percent of total headcount — over the next year.

But he managed to do so without hurting morale, giving the remaining employees clear mandates to improve customer care and raise income, and also giving them room to fail and credit for succeeding.

"He doesn't make any pretensions about knowing all the answers," said Lee Clancy, IMVU's senior vice president of product management and general manager of direct-from-consumer revenue. "He's quite good at delegating and knowing when to jump into the details when it's warranted."

Rosenzweig knew employees were worried and wanted to see results, not hear pablum. "Giving speeches to employees wasn't going to improve employee confidence. It took time both to ignite and to get expenses under control," he said.

He led an effort to make it easier for users to spend money, for example, by selling prepaid virtual currency cards in major retail stores, and allowing payment via cell phones.

IMVU is free to use, but many users buy virtual goods, especially clothing and body features for their in-world avatars that are created by other users. The cut IMVU takes of those purchases equals 85 percent of revenue, and the rest is from ads.

By the end 2008, revenue had grown 29 percent to \$11.26 million, up from \$8.7 million in 2007. In 2009, revenue hit \$22.36 million and IMVU became profitable.

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Also in September 2008, the same month that Lehman Brothers went bankrupt amid the sub-prime mortgage crisis, Rosenzweig began raising money for the company, and in January 2009 announced the closing of a \$10 million in a venture round led by Best Buy Capital, with participation from previous investors.

That was the month that Rosenzweig hired Clancy, who had run parts of Yahoo Personals and Groups, thus starting an expansion of headcount that has continued through today, when the company has 100 people.

Clancy said he has been impressed with Rosenzweig's

CARY ROSENZWEIG

Title: CEO and president.

Company: IMVU Inc.

HQ: Palo Alto.

2009 revenue: \$22.36 million.

Employees: 100.

Career highlights: Worked for a dozen years at Procter & Gamble; Clorox, where he managed a 400-employee division; and Intuit, where he was VP and general manager of QuickBooks Payroll; as well as five Internet startups, including Autoweb.com and mySimon.com.

Management style: Accessible to staff while minimizing hierarchy and office politics.

dedication to using IMVU himself and seeking user input, and with how his background in consumer goods — he was a brand manager for Tide at Procter & Gamble — has helped him figure out what is desired by IMVU users, who are 65 percent female.

"Often what makes or breaks a tech business in the Valley is satisfying the users' needs versus developing something that an engineer thinks is cool," Clancy said.

Rosenzweig similarly makes himself accessible to staff, putting his desk in the middle of the main work floor, holding weekly staff meetings and encouraging minimal hierarchy and politics. There are also company-sponsored breakfasts, lunches and happy hours.

Rosenzweig proudly cites the fact that this year employees ranked IMVU one of the Bay Area's Best Places to Work in the San Francisco Business Times.

"He has been prudent with cash and grown the company significantly, all while making IMVU a great place to work," said Shawn Carolan, a managing director at Menlo Ventures, another investor.

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