

Bazaarvoice Inc
Form 10-K
June 26, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 30, 2014

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-35433

Bazaarvoice, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-2908277
(I.R.S. Employer
Identification Number)

3900 N. Capital of Texas Highway, Suite 300

Austin, Texas 78746-3211

(512) 551-6000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	The NASDAQ Global Select Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting

company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Based on the closing price of the Registrant's Common Stock on the last business day of the Registrant's most recently completed second fiscal quarter, which was October 31, 2013, the aggregate market value of its shares (based on a closing price of \$9.38 per share) held by non-affiliates was approximately \$435 million. Shares of the Registrant's Common Stock held by each executive officer and director and by each entity or person that owned 5 percent or more of the Registrant's outstanding Common Stock were excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of June 23, 2014, 77,785,977 shares of the registrant's Common Stock were outstanding.

Documents incorporated by reference:

Certain portions, as expressly described in this Annual Report on Form 10-K, of the registrant's Proxy Statement for the 2014 Annual Meeting of the Stockholders, to be filed within 120 days of April 30, 2014, are incorporated by reference into Part III, Items 10-14.

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Special Note Regarding Forward Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), particularly in Part I, Item 1: Business, Part I, Item 1A: Risk Factors and Part II, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements may be identified by the use of forward-looking words such as anticipate, believe, may, will, continue, seek, estimate, intend, hope, should, would, project, plan, expect or the negative or plural of these words or similar expressions, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements concerning the following:

our ability to timely and effectively scale and adapt our existing technology and network infrastructure;

our ability to retain clients or renew them at similar prices and upsell to existing clients;

our ability to attract new clients and launch without delays;

our ability to increase adoption of our platforms by our clients' internal and external users;

our ability to protect our users' information and adequately address security and privacy concerns;

our expectation that revenue growth will begin to accelerate by the third quarter of fiscal year 2015;

our ability to maintain an adequate rate of growth;

our ability to effectively execute and adapt our business model in a dynamic market;

our future expenses;

our ability to expand our network;

our ability to integrate clients, employees and operations of acquired companies into our business;

our ability to earn revenue based on ads that are served on our network;

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our plan to continue investing in long-term growth and research and development, enhancing our platforms, and pursuing strategic acquisitions of complementary businesses and technologies to drive future growth;

our ability to increase engagement of our solutions by our clients, partners and professional organizations and launch those solutions without delay;

our anticipated trends of our operating metrics and financial and operating results;

the effects of increased competition in our market;

our ability to effectively manage our growth;

our ability to successfully enter new markets and manage our international expansion;

our ability to maintain, protect and enhance our brand and intellectual property;

the attraction and retention of qualified employees and key personnel;

our expectations regarding the outcome of litigation proceedings; and

other risk factors included under **Risk Factors** in this Annual Report on Form 10-K.

For a discussion of factors that could cause actual results to differ materially from our forward-looking statements, see the discussion on risk factors that appears in Part I, Item 1A: **Risk Factors** of this Annual Report on Form 10-K and other risks and uncertainties detailed in this and our other reports and filings with the Securities and Exchange Commission (**SEC**). The forward-looking statements in this Annual Report on Form 10-K represent our views as of the date of this Annual Report on Form 10-K. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Annual Report on Form 10-K.

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PART I

Item 1. Business

Overview

We power a network that connects brands and retailers to the authentic voices of people where they shop. Bazaarvoice, which literally means voice of the marketplace, was founded on the premise that online word of mouth is critical to consumers and businesses because of its influence on purchasing decisions, both online and offline. Our technology platform collects and displays ratings and reviews, questions and answers and stories from consumers along with visual commerce capabilities that collectively amplify the voices of the consumers into the shopping experience before, during and after a purchase. We help clients leverage social data derived from online word of mouth content to increase sales, acquire new customers, improve marketing effectiveness, enhance consumer engagement across channels, increase success of new product launches, improve existing products and services, effectively scale customer support, decrease product returns and enable retailers to launch and manage on-site advertising solutions and site monetization strategies.

Word of mouth influences consumers' decisions to purchase products and services. Consumers often trust and rely on what other consumers say about a brand, product or service, particularly if they consider the content to be authentic and credible. Consumer interaction through the social web has significantly increased the volume and availability of online word of mouth about products and services, which is proving to have a significant and growing influence on both online and offline commerce. The rapid adoption of Internet-enabled mobile devices is further amplifying the impact of online word of mouth by making this content even easier, more convenient and faster to generate and access. As a result, there has been a paradigm shift in marketing in response to this connected economy in which shared, collaborative relationships are networked between businesses, clients and other influencers. Traditional methods are being disrupted and businesses are now seeking solutions that embrace online word of mouth to more effectively engage, influence and tap into the collective power of consumers, who we believe are no longer seen as mere buyers but innovators, trendsetters and advocates.

Our solutions, which are primarily provided via a Software as a Service (SaaS) platform, enable clients to:

- capture and display online ratings and reviews about specific products and services;

- channel content into all the places where it will influence a purchase both within and outside our network, which we refer to as syndication; and

- use business insights so they can act on what consumers want.

Our business model focuses on maximizing the lifetime value of a client relationship. We make significant investments in acquiring new clients and believe that we will be able to achieve a favorable return on these investments by growing our relationships over time and ensuring that we have a high level of client retention.

On April 15, 2014, we acquired FeedMagnet, Inc. (FeedMagnet), a privately-owned social media curation company that enables brands to collect, curate and display consumer-generated images, video and social content on their

websites and other marketing priorities. The total consideration paid for this transaction was \$9.3 million in cash.

On November 5, 2012, we acquired Longboard Media, Inc. (Longboard Media), a full service media management company based in San Francisco, California that enables online retailers, shopping publishers and mobile commerce applications to launch and manage on-site advertising solutions and site monetization. The total consideration paid for this transaction was \$36.9 million, including the issuance of 0.5 million shares of our common stock and future contingent consideration with an acquisition date fair value of \$4.3 million.

On June 12, 2012, we acquired PowerReviews, Inc. (PowerReviews), a provider of social commerce solutions based in San Francisco, California. The total consideration paid for this transaction was \$150.8 million, including the issuance of 6.4 million shares of our common stock and assumption of vested and unvested options

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to purchase the common stock of PowerReviews equivalent to options to purchase 1.7 million shares of our common stock, but excluding the potential cash proceeds that may arise from the exercise of these assumed options. On January 10, 2013, the U.S. Department of Justice (the DOJ) filed a complaint against us with the U.S. District Court for the Northern District of California, San Francisco Division (the Court), alleging that our acquisition of PowerReviews violated Section 7 of the Clayton Act, 15 U.S.C. Section 18 and seeking the divestiture of assets sufficient to create a competing business that can replace the competitive significance of PowerReviews in the marketplace. On January 8, 2014, the Court ruled that our acquisition of PowerReviews violated Section 7 of the Clayton Act, 15 U.S.C. Section 18. On April 24, 2014, we entered into a Joint Stipulation with the DOJ to resolve the DOJ's claims in the antitrust action challenging our acquisition of PowerReviews and, together with the DOJ, we submitted a proposed order to the Court. Under the terms of the Joint Stipulation and the proposed order, we are required to divest all of the net assets of the PowerReviews business. On June 4, 2014, we entered into a definitive agreement to divest PowerReviews, LLC, the successor to PowerReviews, to Wavetable Labs, LLC (Wavetable), the parent company of Viewpoints, LLC, for \$30.0 million in cash. This transaction remains subject to closing conditions set forth in the definitive agreement. While there can be no assurance that the proposed transaction with Wavetable will be completed, the transaction is expected to close within the first quarter of our 2015 fiscal year ending July 31, 2014, provided that we receive the necessary approvals, including the Court's entry of the Proposed Final Judgment. On June 26, 2014, the DOJ approved the terms of the transaction. As a result, we have reported the results of operations and financial position of PowerReviews as discontinued operations within the consolidated statement of operations and the balance sheets for all periods presented. The discussion of our results of operations is based upon the results from our continuing operations unless otherwise indicated.

We originally incorporated in the State of Delaware in May 2005. Our principal executive offices are located at 3900 N. Capital of Texas Highway, Suite 300, Austin, Texas 78746-3211, and our telephone number is (512) 551-6000. Our corporate website address is www.bazaarvoice.com. We do not incorporate the information contained on, or accessible through, our website into this Annual Report on Form 10-K. We completed our initial public offering in February 2012 and our common stock is listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) Global Select Market under the symbol BV. Unless the context requires otherwise, the words Bazaarvoice, Company, we, us and our refer to Bazaarvoice, Inc. and its wholly owned subsidiaries.

Our Platforms and Solutions

Bazaarvoice Conversations Platform

Our Conversations platform provides capabilities to capture, manage and display online word of mouth. Consumers interact with our solutions as they view or author consumer reviews, questions, photos, videos, long-format narratives and other forms of consumer-generated content. Content that is displayed by our Conversations platform is styled to match our clients' brand, preserving important branding elements of our clients' businesses.

Content collected and managed by our Conversations platform is used by our clients in a wide range of applications, including their online websites, mobile-optimized websites, mobile applications, social networks, in-store kiosks, physical in-store displays, printed flyers, email and other forms of online and offline media.

Key capabilities of our Conversations platform include:

Ratings & Reviews. Allows our clients to capture, manage and display consumer reviews about their products and services on their websites and mobile-optimized websites.

Questions & Answers. Allows our clients to facilitate question and answer conversations between consumers, or between consumers and brand representatives, on their websites.

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Campaigns. Allows our clients to collect consumer testimonials about their products and services and display these stories on their websites. Our Campaigns capability is used in brand marketing initiatives where an in-depth story from a consumer, often accompanied by photos and sometimes videos, is used to create a strong emotional link between consumers and a brand.

Syndication. Enables brands to display review content from their brand websites on retail websites within our network.

Seller Ratings. Provides clients the ability to solicit and collect reviews about their company. Seller ratings are based on reviews about customers' online experiences with the client's company. Seller Reviews are collected by us on behalf of the client via e-mail solicitation. Once submitted, the Seller Reviews are displayed on our public-facing website as well as third-party sites and can also be syndicated to the client's website.

Applications for Facebook. Enables consumers to read or write reviews, product questions, product answers or stories on our clients' pages on social networking websites and easily share this content with the people they influence the most - their social network friends or followers.

Third-party Developer Application Programming Interface (API). Provides third-party developers with tools to build products or extend our platform on behalf of our clients, which enables us to expand the use of our platform by leveraging applications built by third-party developers. For example, some agencies use our developer APIs to develop applications for our clients' brands that allow consumers to read reviews via touchscreen displays while shopping in stores or via their mobile devices while traveling.

Product Sampling. Allows brands and retailers to build their very own branded community to engage their advocates to gain content and momentum for new products, seasonal launches or across a portfolio.

Bazaarvoice Local. Helps clients gather and promote reviews of local service affiliates, drive customers to such local preferred service affiliates and gain insight to the performance of such local service affiliates.

Bazaarvoice Connections Solutions

Our Conversations clients are connected through our SaaS platform to form a network. We offer network syndication and brand engagement solutions to facilitate the sharing of online word of mouth among our clients and to enable brands to directly interact with consumers on our retail clients' websites.

BrandAnswers. Enables brands to interact directly with consumers on retail websites within our network to answer questions and provide suggestions on alternative products that may better meet that consumer's needs. Brands gain visibility into all questions and answers about their products on retail websites that participate in our distribution relationships.

Review Response: Enables brands to interact with consumers by responding to reviews posted on retail websites within our network. Brands strengthen their affinity with consumers by demonstrating that they are listening to and acting on consumer feedback gathered in the retail channel.

Bazaarvoice Analytics Solutions

Our Conversations platform includes our Intelligence solution, which is our enhanced analytics solution, and a Workbench Analytics solution, which provides analytics and self-service administration tools.

Intelligence. Allows our clients to derive sophisticated market, consumer and product insights in a timely manner from the underlying data we collect on their behalf through our platform. Intelligence enables our clients to analyze structured and unstructured online word of mouth and to correlate this content with consumer profiles and demographic information.

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Workbench Analytics. Provides basic analytics capabilities that allow our clients to generate reports highlighting simple ratings trends, text analysis and product and service issue identification. Workbench Analytics also allows clients to perform self-service administration.

Bazaarvoice Curations

Bazaarvoice Curations pulls in content from across a wide variety of social platforms, including Instagram, Facebook and Twitter. Clients can then organize photos, videos, text and links that leverage social content throughout their site.

Bazaarvoice Media

Bazaarvoice Media sells advertising on behalf of retailers, brands and agencies, and provides capabilities that incorporate consumers' authentic opinions in advertising campaigns, creating advertisements that are trusted, relevant and targeted.

Shopper Media. Bazaarvoice Media sells advertising on major retail websites, utilizing our relationships and knowledge of the intricacies of the retail environment. We develop custom programs for brands to reach consumers while they are in the shopping environment, while also selling to non-retail brands, such as within the automotive and financial industries, that wish to reach the engaged shopper within this channel.

Word of Mouth Advertisements. Provides brands with the ability to increase engagement with their advertising through the inclusion of authentic consumer sentiment. These word of mouth ad units can be used both on the Shopper Media network and throughout the web.

Mobile Advertising. Enables brands to reach consumers on their mobile devices.

Our Growth Strategy

The following are key elements of our growth strategy:

Pursue new clients.

We believe that our platforms provide significant value for retailers and brands of all size. As a result, we expect to continue to add new accounts, primarily through our direct sales force as we expand our network.

Increase brand penetration and sell new solutions to our existing clients.

We believe that we have a significant opportunity to build on relationships with existing clients, including some of the leading companies in the world. Many of our clients sell products through numerous distinct brands. We have the opportunity to expand our relationship with these clients by deploying our solutions for some or all of their other brands.

Most of our clients use only a subset of the solutions available in our platforms. We believe that we have a significant opportunity to sell other solutions delivered through our platform, as well as solutions we intend to release in the future.

Increase the volume and variety of content across our network and help clients derive greater consumer insights.

We plan to continue to aggregate an increasing volume and variety of online word of mouth and other relevant data across our network. In turn, we expect that consumers will have access to a greater amount of

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relevant online word of mouth to inform their purchase decisions. We plan to enhance our clients' ability to analyze the aggregated data by introducing new analytics capabilities to help our clients derive meaningful insights from consumer data across our network.

Further expand internationally and penetrate industry verticals.

We have already established operations in the United Kingdom, Australia, France, Germany, Sweden, the Netherlands and Singapore and we intend to leverage this experience by expanding our sales and client service operations and further developing the Bazaarvoice brand. Moreover, we plan to further penetrate our current industry verticals and expand into additional verticals. We believe companies in various verticals can benefit from utilizing our platform to better understand consumers.

Continue to broaden our platform's capabilities through innovation.

We view investments in research and development to be an integral part of our strategy. Our research and development efforts are principally focused on improving our software architecture to make our development efforts more efficient and cost-effective and adding new solutions to our platform to enhance our value proposition to existing and prospective clients. We are also developing new solutions that will enable us and our clients to more effectively leverage our network reach and the data we collect.

Pursue selective acquisitions and commercial relationships.

We intend to pursue selective acquisitions of complementary businesses and technologies that will enable us to acquire targeted product and technology capabilities. From time to time, we also may enter into commercial relationships with internet and social media businesses if we believe this will benefit our clients.

Our Clients

Beginning as of our fourth quarter of fiscal 2014, we now define an active client as an organization from which we are currently recognizing recurring revenue. We count organizations that are closely related as one client, even if they have signed separate contractual agreements. We believe that our ability to increase our active client base is a leading indicator of our ability to grow revenue.

Further, due to the presentation of the PowerReviews business as discontinued operations, we have separated our active clients into two categories: 1) active clients from continuing operations and 2) active clients from discontinued operations. As a result of this analysis, each category could include a common client who may have organizations for which we recognized recurring revenue that have separate signed contractual agreements.

All prior periods have been revised to conform to the current period definition of an active client.

As of April 30, 2014, we served 1,133 active clients from continuing operations, including clients in the retail, consumer products, travel and leisure, technology, telecommunications, financial services, healthcare and automotive industries. No single client represented more than 10.0% of our revenue for the year ended April 30, 2014.

We define a network client as a client from which we are not recognizing recurring revenue. We count organizations that are closely related as one client, even if they have signed separate contractual agreements. We believe that our network client base in combination with our active client base is an indicator of the reach of our network.

Sales and Marketing

We sell our solutions through our direct sales team located globally in the markets we serve. Our sales cycle can vary substantially from client to client but typically requires three to 12 months. In addition to focusing on new client sales, our sales directors are also focused on selling additional solutions to our existing clients.

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Our marketing efforts are intended to build the corporate brand, support lead generation, provide sales support and penetrate new markets. Our marketing efforts include:

participation in, and sponsorship of, user conferences, trade shows and industry events;

online marketing activities, including social advertising, search engine marketing, search engine optimization, webinars, email campaigns, our company website and our Bazaarvoice Blog;

informational resources development to educate prospective clients on the evolving nature of marketing and business, including white papers, client case studies and in-person demonstrations;

sales resources development; and

industry partnership and business development programs.

We also host an annual Bazaarvoice Summit for current and prospective clients, along with social strategists, to share insights into the industry and results from social initiatives. The event features a variety of speakers, including: Bazaarvoice executives, clients, and industry thought leaders. The Summit also features training, solutions demonstrations and best practice sharing with the goal to build loyalty, expanding Bazaarvoice's presence within existing accounts and signing new clients. In addition, we host a number of regional user groups.

Worldwide Client Services

Our Worldwide Client Services team is responsible for managing all client activity after clients purchase our solutions. With locations in the markets we serve, our Worldwide Client Services team is divided into four broad functions:

Client Onboarding – implementation project managers, implementation engineers and user interface designers responsible for the solution design, implementation, and launch of our solutions on client's websites;

Client Success – a team of client success professionals who provide consulting, account management, and support for program best practices and strategic success plans to drive tangible business results in a scalable manner. The Client Success team leads the renewals of our clients' agreements with us;

Client Support – consists of support professionals who provide generalized client support to a variety of issues as well as the more traditional technical support services to diagnose and correct issues, deliver new production releases and respond to configuration change requests for our clients; and

User Generated Content Services content moderators who review and moderate user generated review content across multiple languages and authenticity analysts who use internet forensics techniques to detect fraudulent reviews and validate authentic reviews.

Our enterprise license agreements with our clients include software updates and specific levels of onboarding, and client retention/renewal services. However, under these license agreements, major functional updates or enhancements may, at our discretion, be considered new solutions that will be made available to our clients at an additional charge.

Research and Development

Our research and development team is responsible for the design, development, maintenance and operation of our technology solutions. Our research and development process emphasizes frequent, iterative and incremental development cycles, enabling us to incorporate client feedback while maintaining a high standard of quality. Within the research and development team, we have several highly aligned, independent sub-teams that focus on particular capabilities of our solutions. Each of these sub-teams includes product managers, designers,

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developers and quality assurance engineers responsible for the initial and ongoing development of their solution capability. In addition, the research and development team includes our production operations team, which is responsible for platform uptime.

We believe that continued investment in research and development is critical to the future success of our business. Historically, we have made substantial investments in research and development, and we plan to continue doing so in order to further differentiate ourselves from our competitors. In addition, we augment our full-time research and development staff with offshore third-party contractors located in Ukraine and India. Our research and development expenses were \$37.6 million, \$32.2 million and \$21.3 million in fiscal years 2014, 2013 and 2012, respectively.

Competition

The market for social commerce solutions is highly competitive. The competitive dynamics of our market are unpredictable because it is at an early stage of development, rapidly evolving, fragmented and subject to potential disruption by new technological innovations.

We believe the principal competitive factors in our market include the following:

product breadth and functionality;

scope, quality and breadth of client base;

amount and quality of content;

service;

price;

reputation; and

operating model efficiency.

We believe that we compete favorably on the factors described above. We compete primarily against traditional marketing and advertising programs. Many businesses remain hesitant to embrace social commerce solutions, such as ratings and reviews, driven by their reluctance to display negative reviews about their brands, products or services or about other brands displayed on their websites. Additionally, some businesses have developed, or may develop in the future, social commerce solutions internally. These businesses may consider their internal solutions adequate, even if our solutions are superior.

We have several direct and indirect competitors that provide third-party social commerce solutions, including but not limited to companies such as Wavetable, Pluck, Reevoo, eKomi, Yotpo, Rating System and Gigya. Additionally, we

face potential competition from participants in adjacent markets that may enter our markets by leveraging related technologies and partnering with other companies.

We may also face competition from companies entering our market, including large Internet companies like Amazon, Google and Facebook, which could expand their platforms or acquire a competitor. While these companies do not currently focus on our market, they have significantly greater financial resources and, in the case of Amazon and Google, a longer operating history. They may be able to devote greater resources to the development and improvement of their services than we can and, as a result, they may be able to respond more quickly to technological changes and clients' changing needs. Because our market is changing rapidly, it is possible that new entrants, especially those with substantial resources, more efficient operating models, more rapid product development cycles or lower marketing costs, could introduce new solutions that disrupt the manner in which businesses use online word of mouth and engage with consumers online to address the needs of our clients and potential clients. Our business and operating results could be harmed if any such disruption occurs.

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We cannot be certain that these competitors, both current and potential, will not offer or develop services that are considered superior to ours or that services other than ours will attain greater market acceptance.

Our Culture

We consider our people and our culture to be a key differentiator for Bazaarvoice. As such, we invest in our people to drive high performance throughout the organization. We focus on 1) Communicating to build engagement and alignment around our strategy 2) Creating a unique and competitive culture 3) Attracting and hiring top talent 4) Developing key capabilities around sales, services, R&D and leadership and 5) Rewarding and recognizing high performance.

In particular, our culture gives us a competitive advantage in recruiting and retaining talent and is built upon the following fundamental beliefs:

We believe in delighting our customers we are passionate about making a difference for our clients among which are some of the most influential customers on the planet

We believe in doing what matters we have a mission that inspires and gives us purpose

We believe in our seven values performance, passion, innovation, authenticity, respect, teamwork and generosity

We believe in the power of people coming together we are stronger and smarter together

Technology Infrastructure & Operations

We have invested extensively in developing our proprietary technology infrastructure to support the growth of our business. Our proprietary technology infrastructure includes a third-party data center, cloud computing and network management, a secure centralized source control management system and proprietary data analytics.

Maintaining the integrity and security of our technology infrastructure is critical to our ability to provide online word of mouth, and we have a dedicated security team that promotes industry best practices and drives compliance with data security standards. We use encryption technologies and certificates for secure transmission of personal information between consumers and our solutions.

Our technology infrastructure has the ability to handle sudden bursts of activity for users over a short period of time with high levels of performance and reliability. We operate at a scale that routinely delivers more than 500 million content impressions per day with peak activity of over 1 billion impressions per day.

Key elements of our technology infrastructure are described below.

Scalable Infrastructure. Our physical network infrastructure utilizes multiple hosted and cloud data centers linked with a high speed virtual private network. We utilize commodity hardware together with cloud infrastructure, and our architecture is designed for high availability and fault tolerance while accommodating the demands of our service utilization.

Cloud Computing Innovation. We have developed our architecture to work effectively in a flexible cloud environment that has a high degree of automated elasticity together with high levels of availability.

Intellectual Property

Our intellectual property includes our patent applications, registered and unregistered trademarks and registered domain names. We believe that our intellectual property is an essential asset of our business and that our technology infrastructure currently gives us a competitive advantage. We rely on a combination of trademark, copyright and trade secret laws in the United States and the European Union, as well as contractual provisions, to protect our proprietary technology and assets. We currently have trademarks registered in the

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United States for our name and certain of the words and phrases that we use in our business. We also rely on copyright laws to protect software relating to our websites and our proprietary technologies, although we have not yet registered for copyright protection. We have registered numerous Internet domain names related to our business in order to protect our proprietary interests. As of April 30, 2014, we had five issued U.S. patents, 24 pending U.S. non-provisional patent applications. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information in a commercially prudent manner.

The efforts we have taken to protect our intellectual property may not be sufficient or effective. Third-parties may infringe upon or misappropriate our proprietary rights. Despite our efforts, other parties may copy or otherwise obtain and use the content of our websites without authorization. We may be unable to prevent competitors from acquiring domain names or trademarks that are similar to, infringe upon or diminish the value of our domain names, trademarks, service marks and our other proprietary rights. Competitors may also independently develop technologies that are substantially equivalent or superior to the technologies we employ in our solutions. Failure to protect our proprietary rights adequately could significantly harm our competitive position and operating results.

In addition, we license third-party technologies that are incorporated into some elements of our solutions. Licenses of third-party technologies may not continue to be available to us at a commercially reasonable cost or at all.

Companies in the internet and technology industries, and other patent, copyright and trademark holders own large numbers of patents, copyrights, trademarks and trade secrets and frequently threaten or enter into litigation based on claims of infringement or other violations of intellectual property rights. We have received in the past, and may receive in the future, notices that claim we have misappropriated or misused other parties' intellectual property rights. There may be intellectual property rights held by others, including issued or pending patents, copyrights and trademarks, that cover significant aspects of our technologies, content, branding or business methods. Any intellectual property claim against us, regardless of merit, could be time-consuming and expensive to settle or litigate and could divert our management's attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology, content, branding or business methods found to be in violation of another party's rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, content, branding or business methods, which could require significant effort and expense and make us less competitive in the social commerce market. If we cannot license or develop technology, content, branding or business methods for any allegedly infringing aspect of our business, we may be unable to compete effectively.

Employees

As of April 30, 2014, we had 799 full-time employees, 24 of which are attributable to discontinued operations. We consider our current relationship with our employees to be good. None of our employees are represented by a labor union or is a party to a collective bargaining agreement.

Information about Segment and Geographic Revenue

Information about segment and geographic revenue is set forth in Note 19 of the Notes to Consolidated Financial Statements under Item 8: Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

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Available Information

Our internet website address is www.bazaarvoice.com. In addition to the information about us and our subsidiaries contained in this Annual Report on Form 10-K, information about us can be found on our website including information on our corporate governance principles. Our website and information contained on or accessible through our website are not part of this Annual Report on Form 10-K.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through our website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The public may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally the SEC maintains an internet site that contains reports, proxy and information statements and other information. The address of the SEC's website is www.sec.gov.

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Item 1A. Risk Factors

Risks Related to Our Business

We have a limited operating history, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment.

We began our operations in May 2005. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of our limited resources, market acceptance of our existing and future solutions, managing client implementations and developing new solutions. Our current operating model may require changes in order for us to achieve profitability and scale our operations efficiently. For example, we may need to continue to enhance our software architecture to allow us to efficiently and cost effectively develop and implement new solutions, make our solutions easy to implement, ensure our marketing engine is designed to drive highly qualified leads cost effectively and implement changes in our sales model to improve the predictability of our sales and reduce our sales cycle. If we fail to implement these changes on a timely basis or are unable to implement them due to factors beyond our control, our business may suffer. You should consider our business and prospects in light of the risks and difficulties we face as an early-stage company.

We have a history of losses and we may not achieve or sustain profitability in the future.

We have incurred significant losses in each fiscal period since our inception in 2005. We experienced net losses of \$52.8 million, \$47.5 million and \$24.4 million from continuing operations during fiscal years 2014, 2013 and 2012, respectively. As of April 30, 2014, we had an accumulated deficit of \$192.1 million which also includes losses from discontinued operations. The losses and accumulated deficit were due to the substantial investments we made to grow our business and acquire clients. Expenses associated with the integration of the clients, employees and operations of acquired companies into our business could further delay our profitability. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to invest to grow our business and acquire clients, develop our platforms and develop new products and solutions. These efforts may prove more expensive and more difficult than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Many of our efforts to generate revenue from our business are new and unproven, and any failure to increase our revenue or generate revenue from new products and solutions could prevent us from attaining or increasing profitability. Furthermore, to the extent we are successful in increasing our client base; we could also incur increased losses because costs associated with entering into client agreements are generally incurred up front, while revenue is generally recognized ratably over the term of the agreement. Additionally, we currently sell our products on a fixed price basis. However, many of the third-party costs associated with providing our products are subject to variable pricing. We cannot be certain that we will be able to attain or increase profitability on a client-by-client basis or on a quarterly or annual basis. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition and results of operations may suffer.

We operate in a new and unproven market for social commerce solutions. Our success depends upon the continued development of this market, and if the market does not develop as we expect, our business could be harmed.

We are focused on the market for social commerce solutions, which is new and unproven with little market research or data. It is uncertain whether the market in which we operate will continue to develop or if our solutions will achieve and sustain a level of demand and market acceptance sufficient for us to continue to generate revenue and achieve profitability. Due to our evolving business model, the uncertain size of our market and the unpredictability of future general economic and financial market conditions, we may not be able to forecast our growth rate accurately.

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In particular, we believe our success will depend to a large extent on the willingness of brands to use online word of mouth in their marketing and advertising materials. Many of our potential clients remain hesitant to embrace our solutions, such as Ratings & Reviews, since they are uncomfortable displaying negative reviews about products or services offered on their websites. In addition, many brands may continue to devote significant portions of their marketing and advertising budgets to traditional, offline media or other types of online marketing or advertising initiatives that do not use online word of mouth. Some brands may be open to the idea of making online word of mouth available to consumers and yet may be unwilling or unable to implement third-party SaaS solutions similar to ours or may seek to develop such solutions internally. We believe that the continued growth and acceptance of our solutions will depend on the perceived authenticity of online word of mouth and effectiveness of using online word of mouth to influence purchase decisions, both online and offline, and better understand consumer preferences regarding products and services. The existence of fraudulent reviews may call into question the authenticity of online word of mouth. We also depend on the continued growth of the social web and adoption of mobile devices, among other factors. If any of these factors are not realized, then the market for social commerce solutions may not develop as we expect, or it may develop more slowly than we expect, either of which could significantly harm our business and operating results.

We derive a substantial portion of our revenue from a limited number of our solutions. If we are unable to maintain demand for these solutions or diversify our revenue sources by successfully developing and introducing new or enhanced solutions, we could lose existing clients or fail to attract new clients and our business could be harmed.

Ratings & Reviews was our first social commerce solution and still remains the core element of our technology platform today. Other social commerce solutions we have developed include Connections Solutions and Analytics Solutions. If we are unable to continue developing enhanced features for these solutions to maintain demand or to diversify our revenue base by increasing demand for our other solutions and successfully developing and introducing new solutions either by internal development or acquisition, our operating results could be negatively impacted. We are currently modifying our software architecture to be able to develop and implement new solutions more efficiently and cost effectively. We are also currently investing significant amounts in research and development in connection with our efforts to leverage data that we and our clients collect and manage through the use of our solutions. Improving our architecture and developing and delivering new or upgraded solutions may require us to make substantial investments, and we have no assurance that such new or upgraded architecture solutions will generate sufficient revenue to offset their costs. If we are unable to efficiently develop, license or acquire such new or upgraded solutions on a timely and cost-effective basis, or if such solutions are not effectively brought to market, are not appropriately timed with market opportunity or do not achieve market acceptance, we could lose existing clients or fail to attract new clients, and our business and operating results could be materially adversely affected.

In addition, we must continuously modify and enhance our solutions to keep pace with rapid changes in the social web and Internet-related hardware, software communication, browser, database and social commerce technologies. If we are unable to respond in a timely and cost-effective manner to rapid technological developments, our solutions could become less marketable and less competitive or become obsolete, and our operating results could be negatively affected.

The market in which we participate is fragmented, rapidly evolving and highly competitive, and we may be unable to compete successfully with our current or future competitors.

The market for social commerce solutions is highly competitive. The competitive dynamics of our market are unpredictable because it is at an early stage of development, rapidly evolving, fragmented and subject to potential disruption by new technological innovations.

Our main competition is from traditional marketing and advertising programs used by businesses that remain hesitant to embrace social commerce solutions such as Ratings & Reviews. Additionally, some businesses

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have developed, or may develop in the future, social commerce solutions internally. These businesses may consider their internal solutions adequate, even if our solutions are superior.

We have several direct and indirect competitors that provide third-party social commerce solutions, including but not limited to companies such as Wavetable, Pluck, Reevoo, eKomi, Yotpo, Rating System and Gigya. Additionally, we face potential competition from participants in adjacent markets that may enter our markets by leveraging related technologies and partnering with other companies.

We may also face competition from companies entering our market, including large Internet companies like Amazon, Google and Facebook, which could expand their platforms or acquire one or more of our competitors. While these companies do not currently focus on our market, they have significantly greater financial resources and, in the case of Amazon and Google, a longer operating history. They may be able to devote greater resources to the development and improvement of their services than we can and, as a result, they may be able to respond more quickly to technological changes and clients' changing needs. Because our market is changing rapidly, it is possible that new entrants, especially those with substantial resources, more efficient operating models, more rapid product development cycles or lower marketing costs, could introduce new solutions that disrupt the manner in which businesses use online word of mouth and engage with consumers online to address the needs of our clients and potential clients. Our business and operating results could be harmed if any such disruption occurs.

We believe we compete primarily on the basis of product breadth and functionality, scope, quality and breadth of client base, amount and quality of content, service, price, reputation and the efficiency of our operating model. Our competitors or potential competitors may adopt certain aspects of our business model, which could reduce our ability to differentiate our solutions. As market dynamics change, or as new and existing competitors introduce more competitive pricing models or new or disruptive technologies, or as clients develop internal solutions for their social commerce needs, we may be unable to renew our agreements with existing clients or attract new clients at the same price or based on the same pricing model as previously used. As a result, we may be required to change our pricing model, offer price incentives or reduce our prices in response to competitive pressures, which could harm our revenue, profitability and operating results. Moreover, many software vendors could bundle competitive products or services or offer them at a low price as part of a larger product sale. In addition, some competitors may offer software that addresses one or a limited number of strategic social commerce functions at lower prices or with greater depth than our solutions. As a result, our competitors might be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or client requirements. For all of these reasons, we may not be able to compete successfully against our current and future competitors.

Our quarterly financial results are subject to fluctuations; as a result, we could fail to meet or exceed expectations of analysts or investors, which could cause our stock price to decline.

Our revenue, expenses, operating results and cash flows have fluctuated from quarter to quarter in the past and are likely to continue to do so in the future. These fluctuations are due to, or may in the future result from, many factors, some of which are outside of our control, including:

the timing differences between when we incur sales commissions, implementation costs and other client acquisition costs associated with new solutions sales and when we generate revenue from these sales, particularly related to larger sales to new or existing clients;

our ability to sell additional solutions, including our media solutions, to existing clients and to add new clients, in multiple regions around the world, particularly in the United States and Europe, which has fluctuated and is likely to continue to fluctuate, due to the effectiveness of our sales execution, economic conditions, the timing of larger sales opportunities and other factors affecting our sales in each of these regions;

our ability, and the ability of our clients, to timely and effectively implement our solutions;

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the amount, timing and effectiveness of our product development investments and related expenses and delays in generating revenue from these new solutions;

increases in our hosting costs, which could result in advance payments to our hosting vendors, due to variations in demand for storage capacity and computing consumption without a corresponding increase in pricing from our existing clients;

the timing, frequency and pattern of our billing mix;

our ability to adjust our cost structure, particularly our personnel costs, in response to reductions in revenue;

the cyclical and discretionary nature of marketing and advertising spending, especially spending on social commerce solutions;

seasonal variations and unpredictability in our clients' advertising budgets;

the amount and timing of operating expenses and capital expenditures related to the expansion of our operations and infrastructure and client acquisition;

our failure to achieve the growth rate that was anticipated by us in setting our operating and capital expense budgets;

changes in our active client retention rates;

the timing and success of new solutions, product and service offerings and pricing policies by us or our competitors or any other changes in the competitive dynamics of our industry;

the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill or intangible assets from acquired com