

livingsocial

LIVINGSOCIAL'S HYPER-GROWTH PROPELLED BY RACKSPACE® HOSTING

**One of the Largest Applications on Facebook® Grows by
35 Million Users In Three Weeks**

OVERVIEW

To say that LivingSocial has grown rapidly since its founding a mere two years ago understates just a bit. The company, based in Washington, D.C., is now one of the largest applications on Facebook and the most comprehensive interest-based online community, with over 90 million users. As a social discovery and cataloging network, LivingSocial enables people to share reviews of their favorite movies, books, games, music, restaurants and more. From a business model perspective, LivingSocial's data on audience preferences provides marketers with a highly targeted advertising platform. More recently, LivingSocial has launched a hyper-local deals product which pairs their user base with unbeatable one-day deals at the hottest local restaurants, spas, sporting events, and more.

BUSINESS CHALLENGE

The company's CTO and Co-Founder, Aaron Batalion, faced a unique challenge in mid-2009. LivingSocial launched a popular new feature called "Pick Your Five," enabling users to build a self-expression tool cataloging their all-time favorite lists of five things from virtually any category to share with friends – from the five best albums of all

time to their five favorite cereals, five favorite sports cars, ad infinitum. "Pick Your Five" quickly became a viral phenomenon, growing over 35 million users in just the first three weeks alone.

How did LivingSocial's infrastructure keep pace with, let alone manage, such explosive growth? The company's close working relationship with Rackspace, the world's leader in hosting, was a key.

RACKSPACE TO THE RESCUE

Early in its short history, LivingSocial engaged another hosting provider. By early 2008, though, the company realized that it needed a true partner that operated as an extension of Batalion's team who could be counted on to support the company's phenomenal growth. Batalion probed Rackspace extensively to ensure that he would receive the support he needed, meeting the team he would be working with in advance of formalizing the relationship.

"We build viral applications on social platforms," Batalion said. "When we launch a successful product it grows extremely rapidly. We have to plan for that growth and were looking for a provider who

could help us grow. Rackspace has a great brand reputation in the industry. I like to also say that they have a 'great supply closet.' Beyond traditional servers, you can call them to adding a new piece of hardware or device that needs to be replaced right away. They have the flexibility to support our business needs and respond quickly with a staff that is knowledgeable and can help us solve whatever problem we've encountered."

Then along came the "Pick Your Five" launch. "Growth exploded," Batalion said. "We have a Ruby on Rails software architecture that we constantly evolved. We have a hardware architecture – our servers and network architecture – that we also have to evolve. When you're handling thousands of requests per second and many terabytes of traffic per day, the physical infrastructure is as important as the software. That's where we really rely on Rackspace from a 'supply closet' standpoint – access to not only their inventory but their expertise at the networking layer."

At one point during the "Pick Your Five" growth explosion, LivingSocial noticed that its traffic had stopped growing. Tracking charts that once showed

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RACKSPACE TO THE RESCUE (continued)

vertical growth suddenly hit a wall. Batalion and team realized that the heavy traffic had caused the firewall to run out of capacity.

He immediately called Rackspace. "Rackspace had a new firewall online for us within hours. Then, within 24 hours, we hit max capacity again on a larger firewall. Rackspace found the issue – they realized that we were capacity-bound at the network layer and gave us an even larger firewall. So, within 48 hours we went through three different firewalls in order to scale this traffic. This is a unique capability of Rackspace – the combination of technical expertise and access to hardware to help us scale with unprecedented speed. I was paired up with one of their senior networking engineers – someone who really helped out as our traffic exploded."

During this hyper-growth period, Batalion communicated non-stop with his Rackspace support team: "Nights, weekends, throughout the day, by phone, email or Instant Messenger (IM). They were available whenever I needed them. That was very impressive."

SUPPORT WELL BEYOND THE NORM

In the last half year, LivingSocial has grown from 15 million to 90 million users. "Rackspace is truly an extension of my team," Batalion said. "Their ability to scale rapidly – both servers and networking equipment – is a differentiator. It is also really important to me to be able to make a phone call and chat with a senior-level person on the Rackspace team to support our growth. Their senior real-time support team is important."

Batalion frequently uses IM to stay in touch with his Rackspace team, "...which is a pretty cool way for me to have almost real-time support. At another vendor, I could be on hold for two hours, I won't know who I'll be talking to or how good they are, or the caliber of service I'll receive at night or on weekends. I have specific people I work with all the time at Rackspace. I know who I'm going to speak with, I know they are experienced and know my business, and that gives me a level of comfort that I may not have at other companies."

CAPABILITY FOR A FUTURE

Batalion has been able to work with his Rackspace support team to order custom hardware that he felt would be better utilized in LivingSocial's environment. "I'm not sure I would be able to do that in all hosted environments," he noted. "As we grow constantly, we put together plans – how often to order servers, increase the size of servers, the number of servers, and so on. Both parties, Rackspace and LivingSocial, contribute to our plan. We monitor our environment and traffic patterns and react rapidly when we realize we are going to need additional service."

As LivingSocial's needs continue to evolve and expand, Batalion reports that he will be looking at Rackspace to continue to support LivingSocial's products and the evolution of its computing requirements. He envisions a hybrid environment in which some of the company's infrastructure would be hosted via cloud computing as well as utilize dedicated hardware. "With Rackspace, we have the flexibility to get to that hybrid model. I look to them to help us with that transition in the short and long-term," Batalion noted.

"Rackspace provided us with three different firewalls in three days when our growth was exploding," Batalion said. "It took only hours to stop the bottleneck caused by users flooding to our site because I can call Rackspace and say 'here's the problem, here's what we need, how do we solve this.' Rackspace's Fanatical Support® is real."

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