

Gradually, then suddenly...

DECEMBER 13, 2017

 CBINSIGHTS





About Me

CEO and Co-Founder of CB Insights

- Inc 5000 company
- Glassdoor best places to work (#9 in USA)
- 5th fastest growing SaaS co in NYC (47th in USA)

 asanwal@cbinsights.com

 [@asanwal](https://twitter.com/asanwal)

Ran AmEx \$50M Chairman's Innovation Fund

Prior work in VC and M&A

Graduate of Wharton (Finance and Accounting) and the University of Pennsylvania (Chemical Engineering)

What We're Going to Cover

1



Markets are moving
faster than ever
before

2



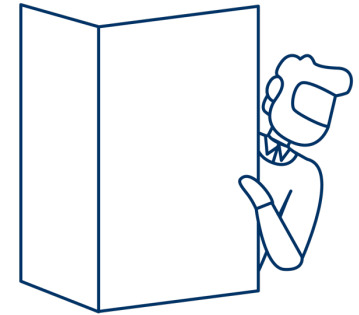
Why corporations
have trouble
responding

3



The impacts of
failing to respond

4



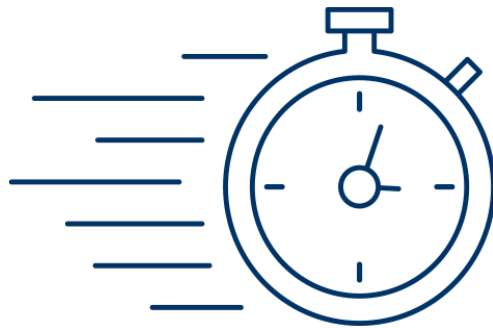
How to see around
corners

**Markets are
moving faster
than ever**



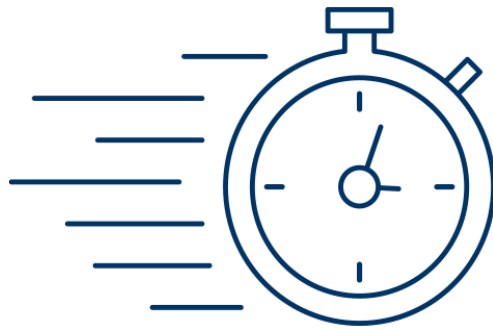
ERNEST HEMINGWAY, *THE SUN ALSO RISES*

“How did you **go bankrupt**?”



ERNEST HEMINGWAY, *THE SUN ALSO RISES*

“Two ways...
Gradually and **then suddenly**”

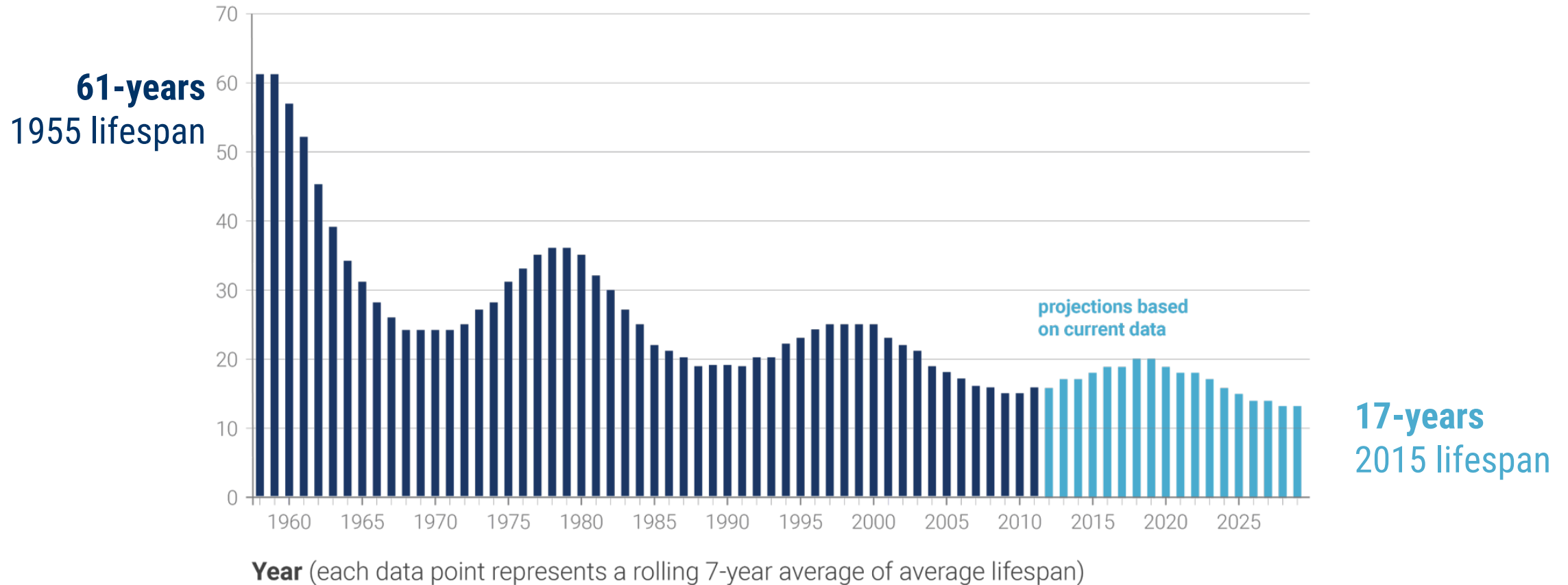


THE NEED FOR SPEED

Corporations are **not immune**
to this acceleration

IN THE LAST 15 YEARS

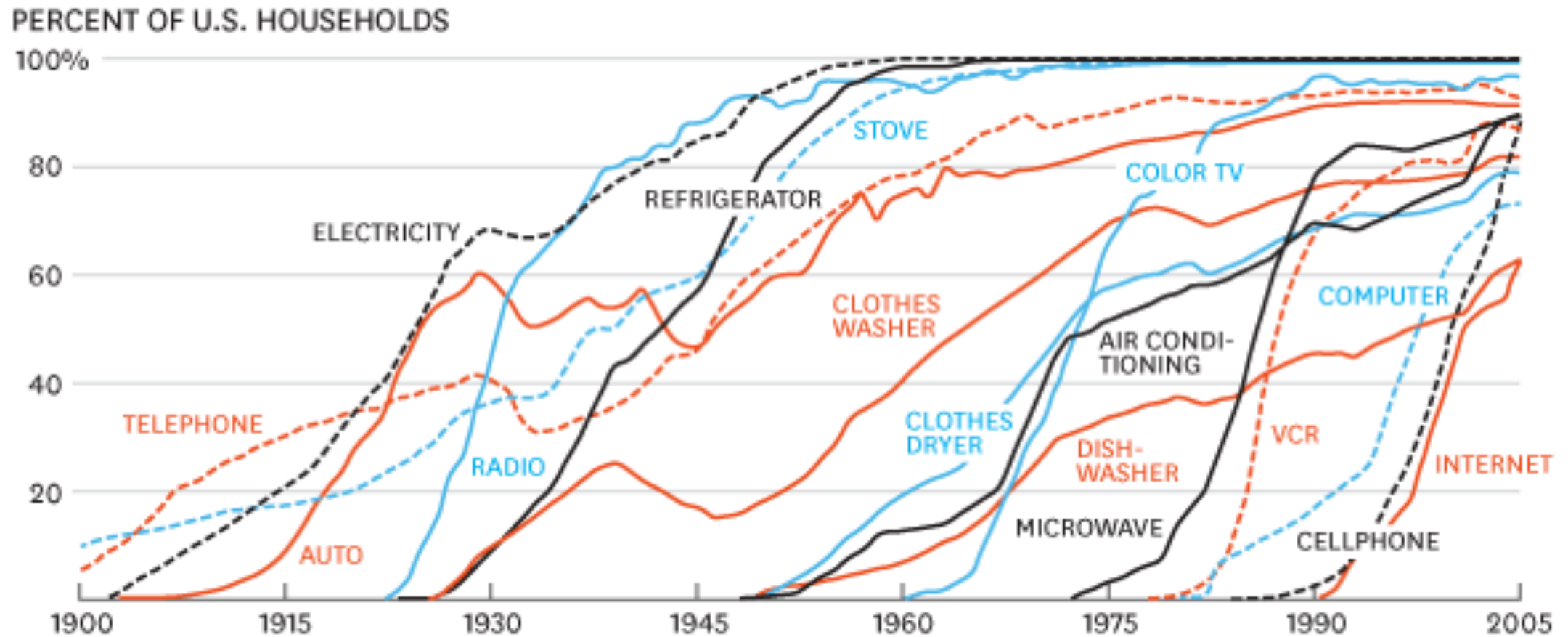
52% of S&P 500 companies have disappeared



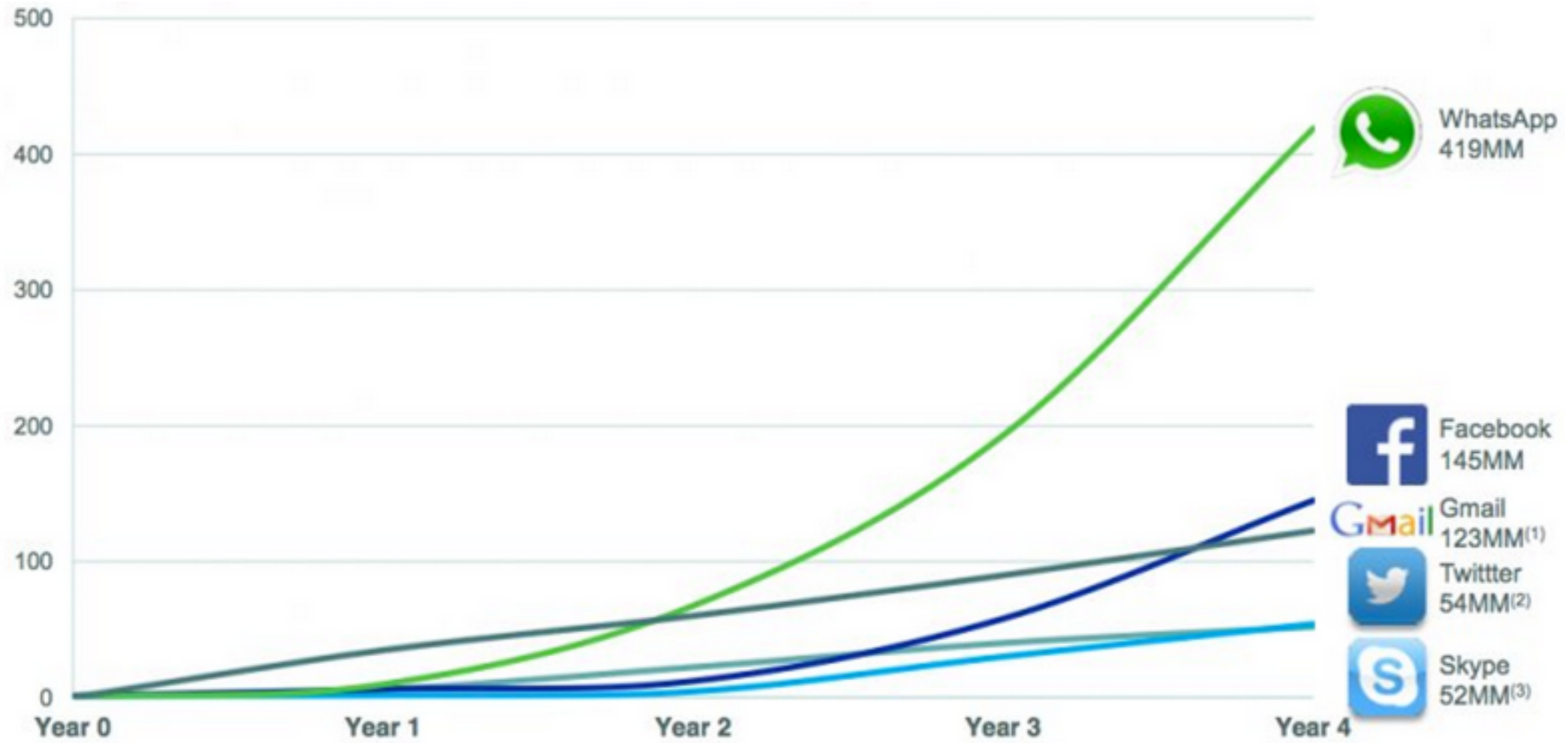
Technology is eating every industry



Technology adoption is quicker than ever



And technology adoption is getting faster

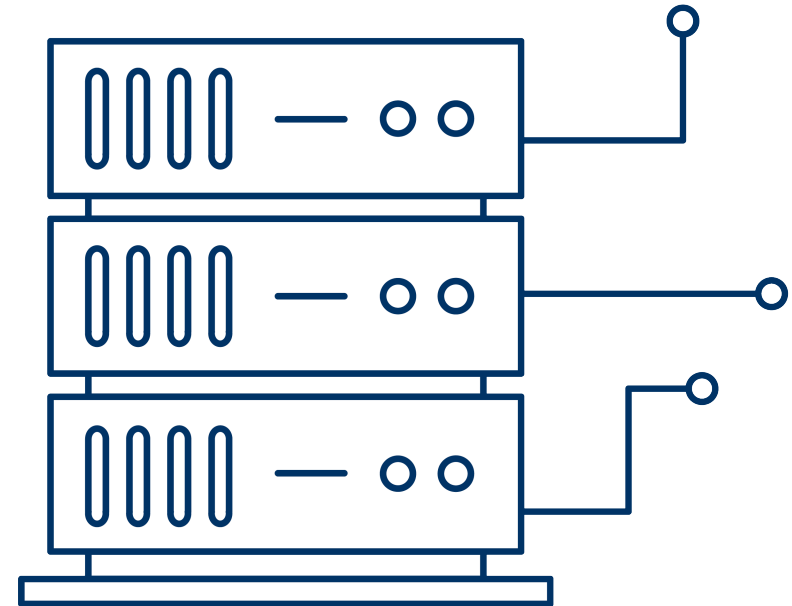


A MARRIAGE MADE IN HEAVEN

The two things making business faster



Technology



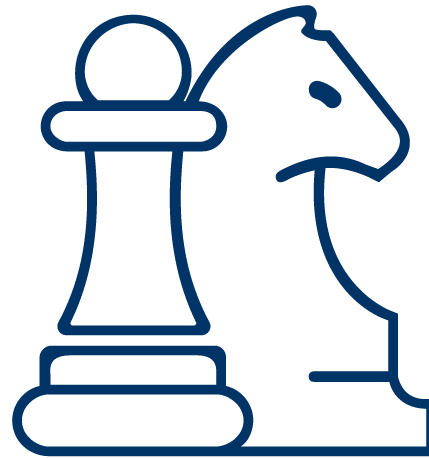
Data

THE IMPACTS HAVE BEEN PROFOUND

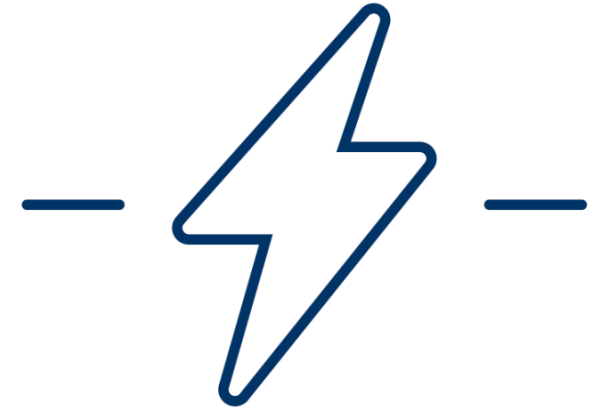
They've changed how & what we think about



**Rational, empirical
decision-making**



**Constant redrawing of
competitive lines**

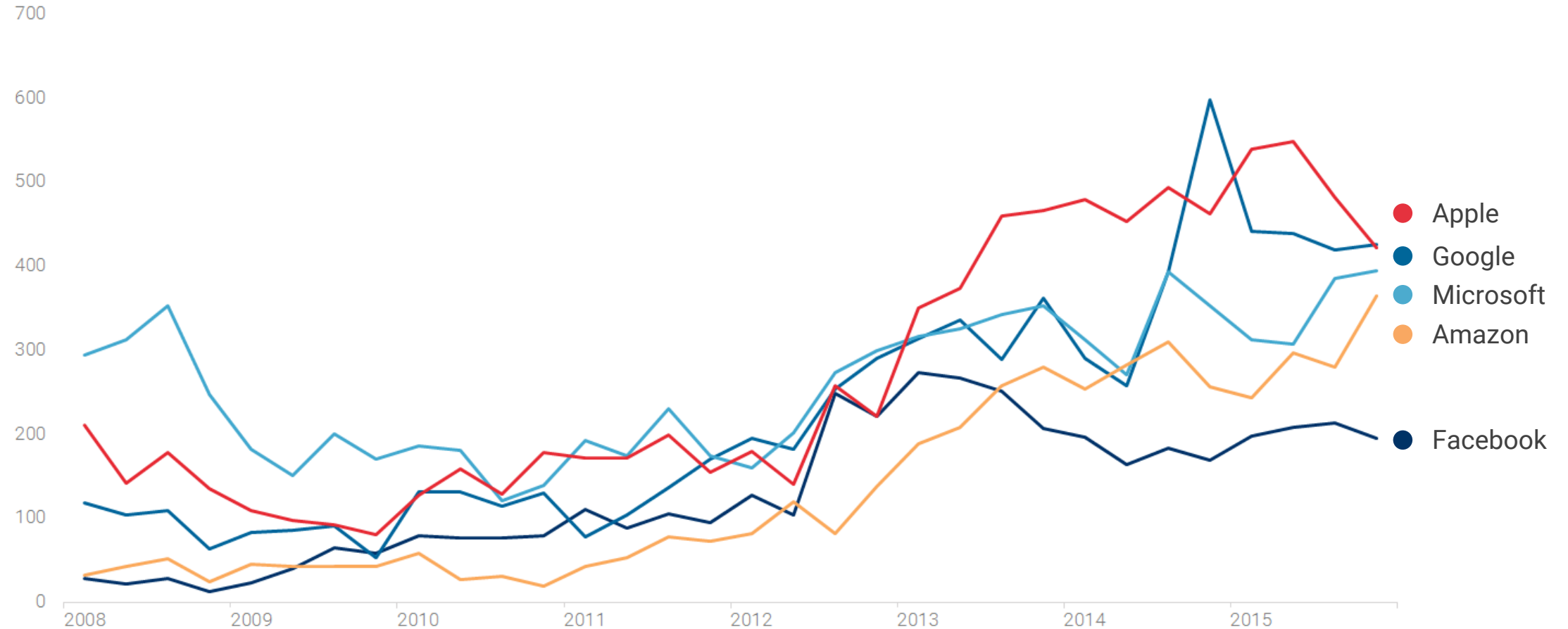


**Faster product, process,
distribution innovation**

TECH IS GETTING MORE MINDSHARE

Public co execs talking FAMGA on earnings calls

Mentions of the 5 largest tech companies in earnings calls by quarter



A more rational, empirical world

**Moneyball /
Sabermetrics**



**Discover Weekly
Playlists**



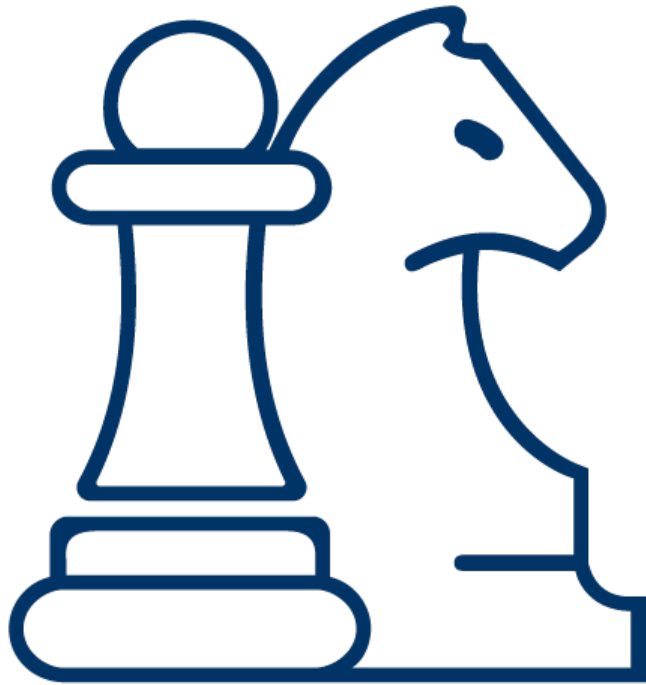
**Pregnancy
Prediction Score**



Predicting Elections



Stay in my lane? What lane?



With new business models and technologies coming to the market, new competitors emerge.

And even prior partners start to resemble competitors.

COMPETITIVE LINES BEING REDRAWN

Benz competitors were BMW and Lexus



VS



COMPETITIVE LINES BEING REDRAWN

Benz competitors were BMW and Lexus
Now it's Tesla, Uber, Google



VS



COMPETITIVE LINES BEING REDRAWN

Walmart competitors were Target, Costco



VS



COMPETITIVE LINES BEING REDRAWN

Walmart competitors were Target, Costco
Now it's Amazon, Alibaba



COMPETITIVE LINES BEING REDRAWN

Comcast vs. Time Warner vs. Verizon



vs



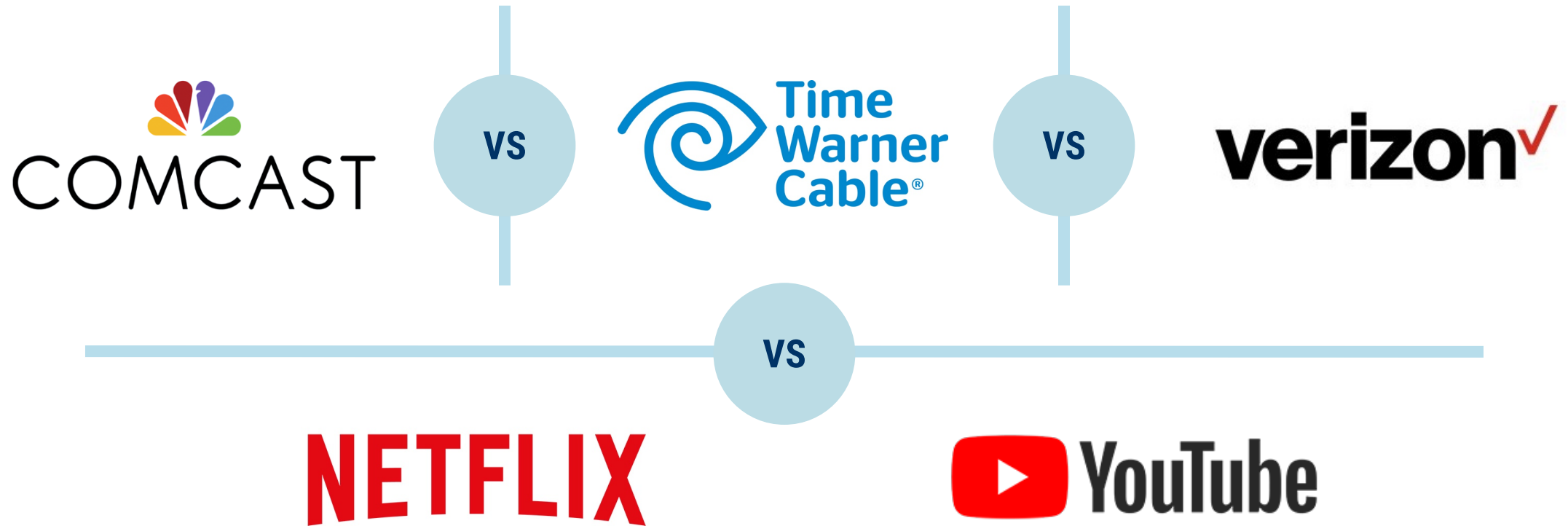
vs



COMPETITIVE LINES BEING REDRAWN

Comcast vs. Time Warner vs. Verizon

Now it's them plus Netflix, Youtube



COMPETITIVE LINES BEING REDRAWN

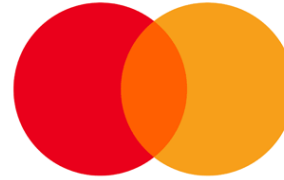
Amex vs. Visa vs. MC vs. Citi



vs

VISA

vs



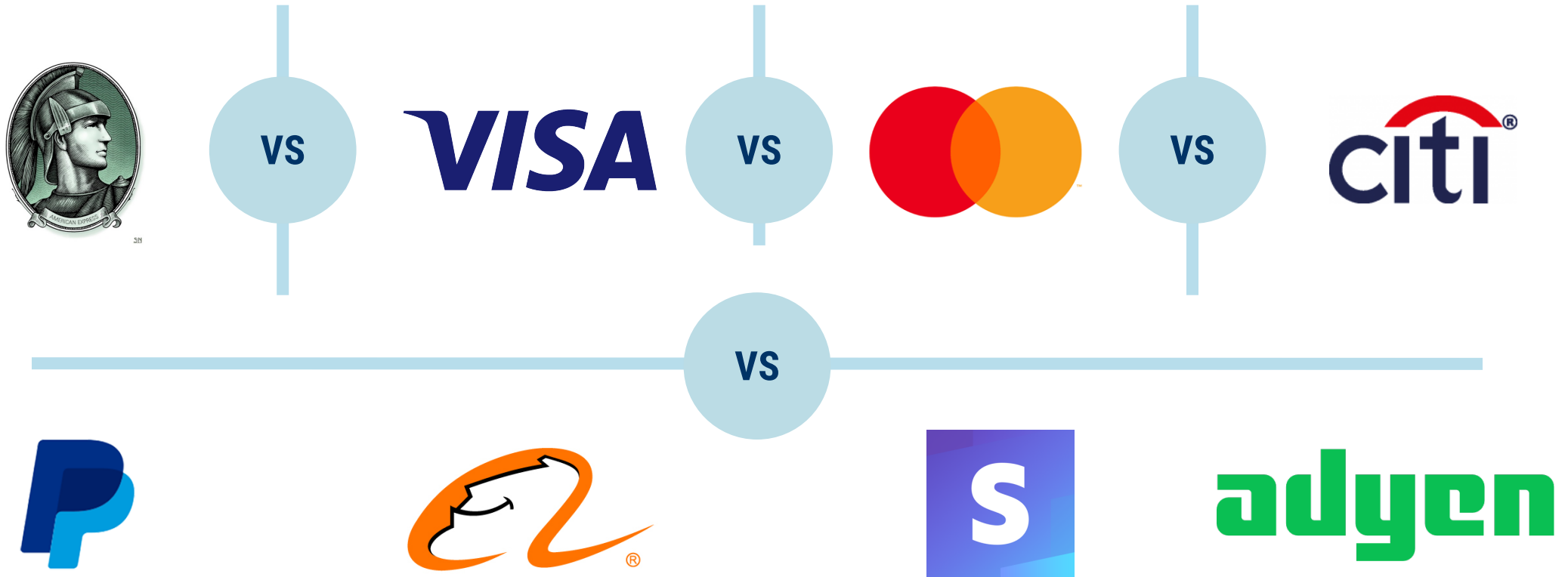
vs

citi[®]

COMPETITIVE LINES BEING REDRAWN

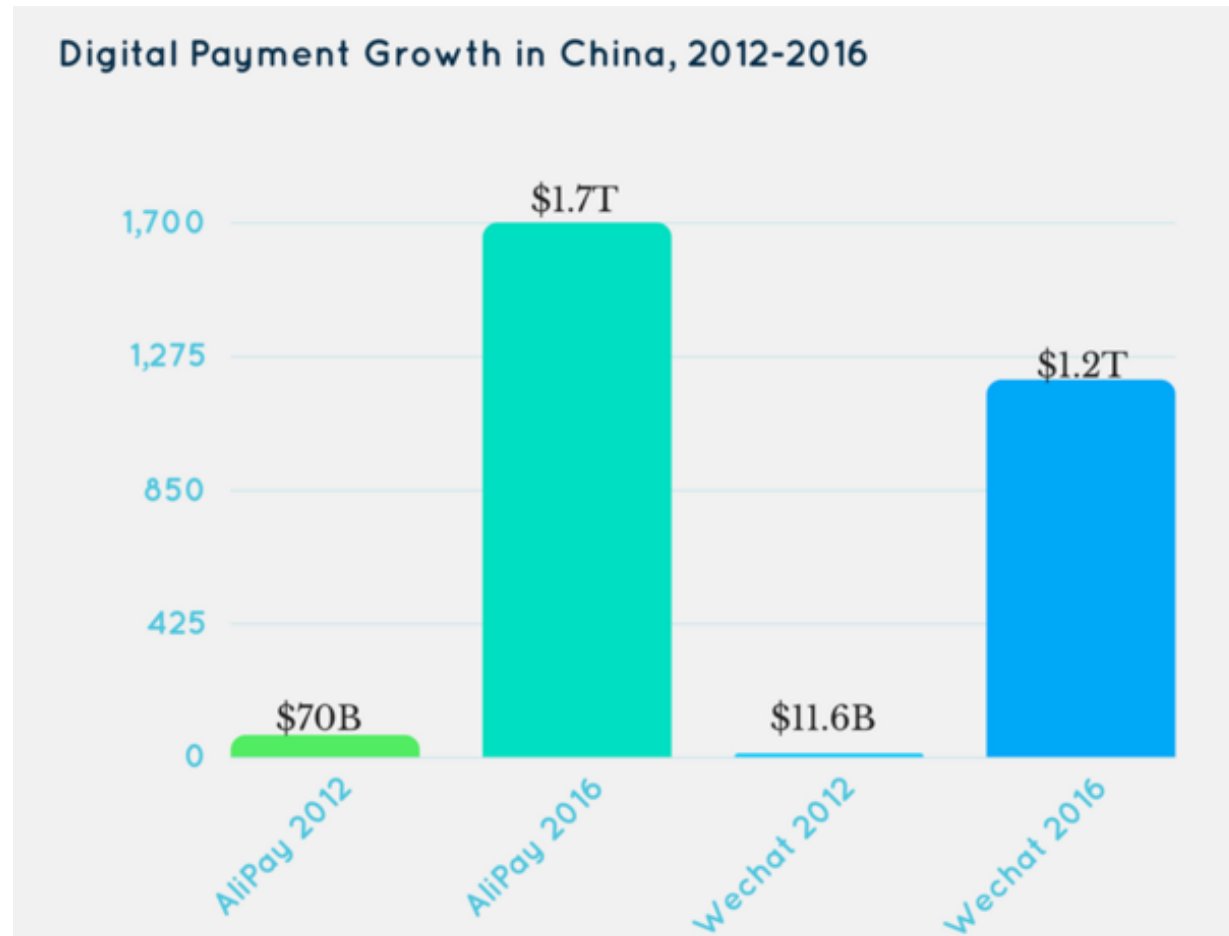
Amex vs. Visa vs. MC vs. Citi

Now it's Paypal, Alipay, Stripe and Adyen



LIFE COMES AT YOU FAST

Volumes up 48x in four years (\$81.6B to \$3.9T)



PRIVATE LABELS MEAN COMPETITIVE SET IS BEING REDRAWN

Old friends become foes?

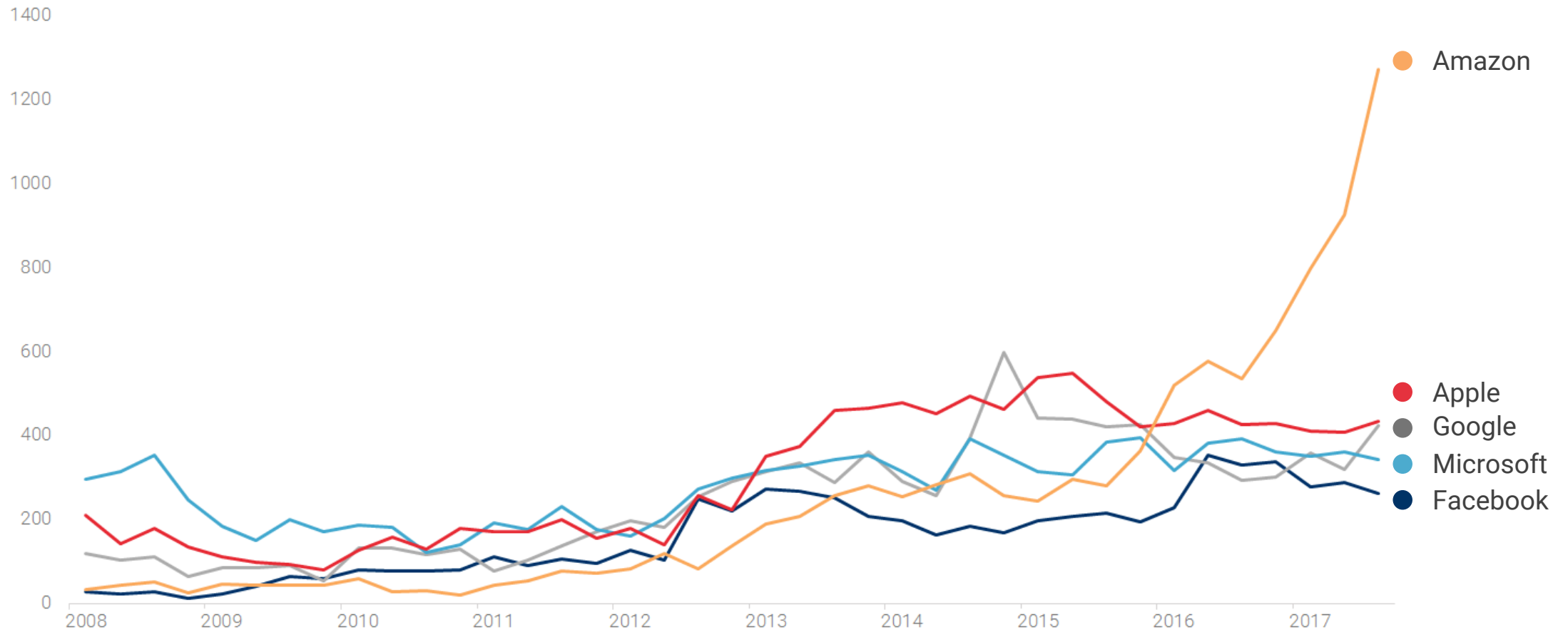


HemisFares™
Big K®
Fresh Selections
by Kroger®
Comforts for Baby®
Home Sense®
Kroger Products
Pet Pride®
Private Selection™
Quality Guarantee
Simple Truth®
Value Brand
Products
Water Quality
Abound™
Luvsome™



Public co execs talking Amazon on earnings calls

Mentions of the 5 largest tech companies in earnings calls by quarter



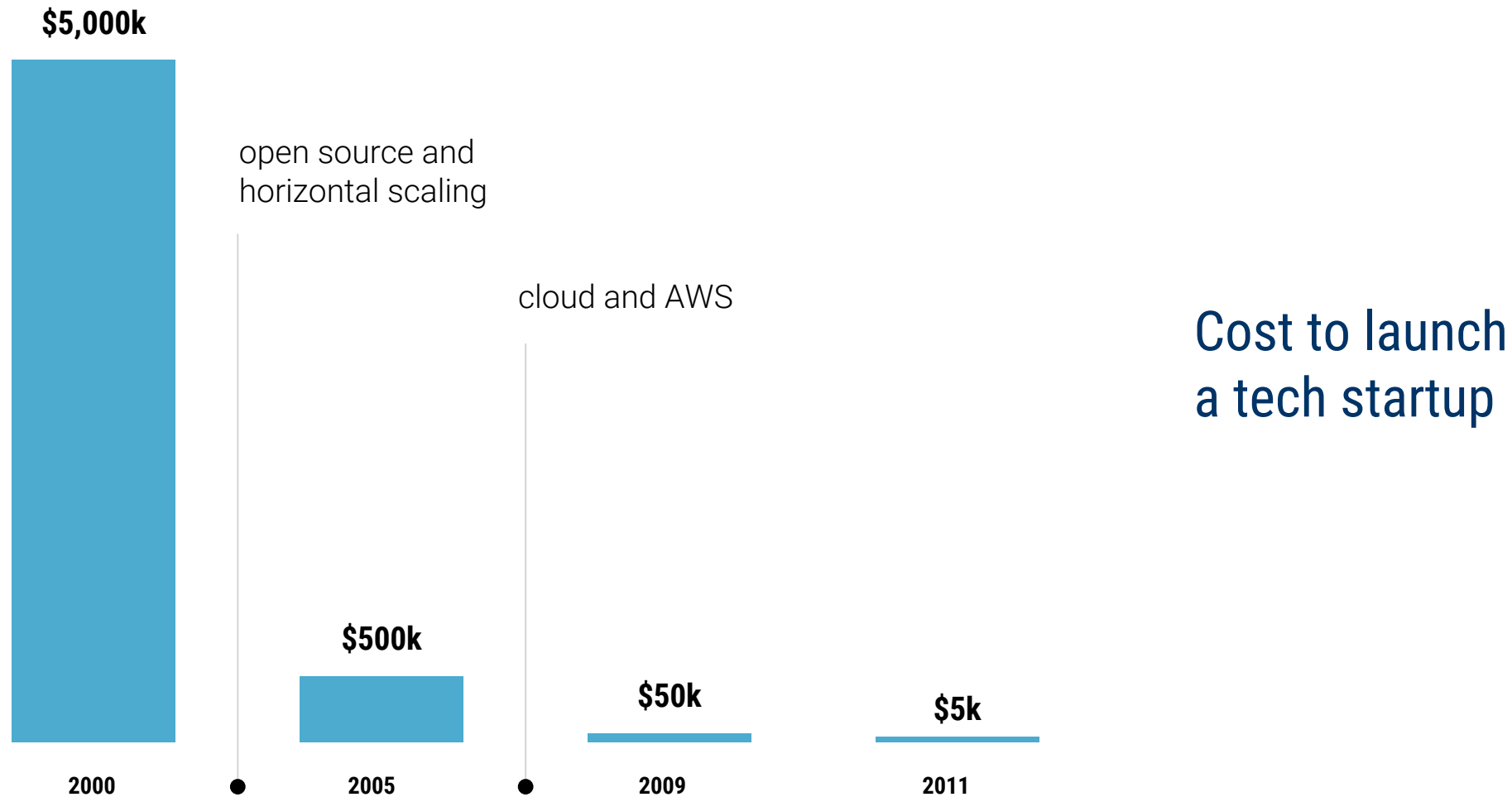
THE THREAT OF ENTRY IS NOW ENOUGH

The Amazon Impact on Walgreens



NEW BUSINESS MODELS, PRODUCTS, DISTRIBUTION INNOVATIONS COMING QUICK

The insurgent competitors are multiplying



The battle between every startup and incumbent comes down to whether the startup gets distribution before the incumbent gets innovation.

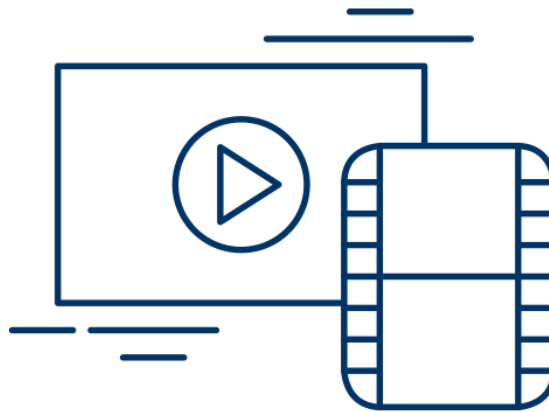
Alex Rampell

A16Z, Partner

Faster product, process, distribution innovation



D2C in consumer
packaged goods
(think Dollar Shave vs Gillette)



Netflix thrashed
Blockbuster and targets
Hollywood



Airbnb attacking
Hyatt and Starwood

FASTER PRODUCT, PROCESS, DISTRIBUTION INNOVATION

Airbnb's valuation is greater than
Hyatt and Starwood / Marriott
COMBINED

Why corporations have trouble responding



TO RESPOND TO QUICKER MARKET CHANGES

You need both **will and skill**

CREATING AN ORGANIZATION THAT MOVES QUICK

It's part culture and part knowledge/process



WILL

A culture that is not dismissive of emerging trends and shifts and openly communicates these shifts within the organization.



SKILL

A structured method to identify, recognize and react to non-incremental market shifts early and quickly.

Dismissive is deadly. It's good to be paranoid.



Corporate dismissal playbook

- Talk isht
- Pretend they don't exist



BLOCKBUSTER ON NETFLIX

“Neither RedBox nor Netflix
are even on the radar screen in
terms of competition.”

– Jim Keyes, CEO of Blockbuster (2008)

PALM ON THE IPHONE

“We’ve learned and struggled for a few years here figuring out how to make a decent phone
... **PC guys are not going to just figure this out. They’re not going to just walk in.**”

CEO
Ed Colligan in 2006

FOOTLOCKER ON AMAZON

We do not believe our vendors selling product directly on Amazon is an imminent threat. There is **no indication that any of our vendors intend to sell** premium athletic product, \$100-plus sneakers that we offer, directly **via that sort of distribution channel.”**

Footlocker CEO and Chairman
Richard Johnson

MICROSOFT ON GOOGLE

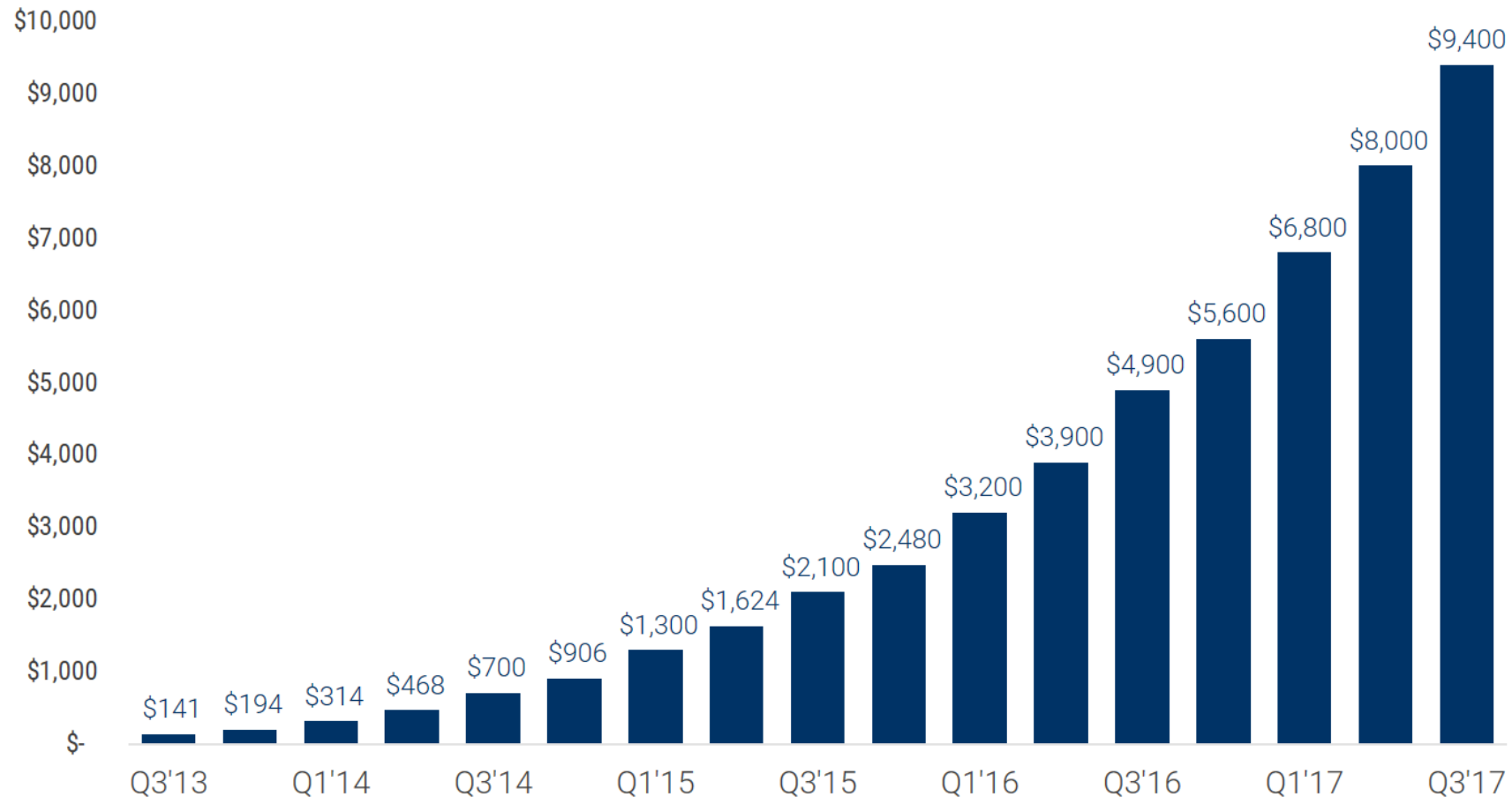
**“Google’s not a real company.
It’s a house of cards.”**

Former Microsoft CEO
Steve Ballmer

VENMO GROWING AT 100% YOY CONSISTENTLY

Amex just mentioned Venmo for 1st time in a 10-k

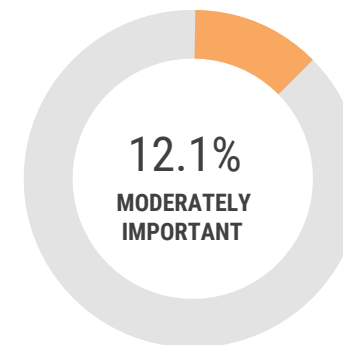
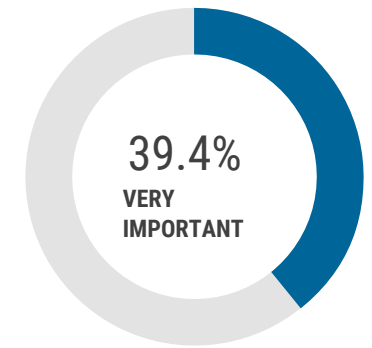
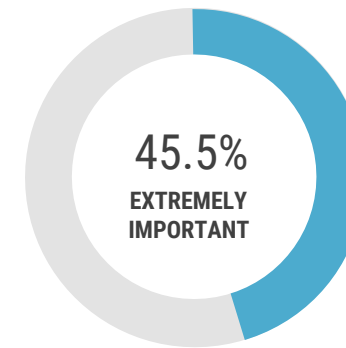
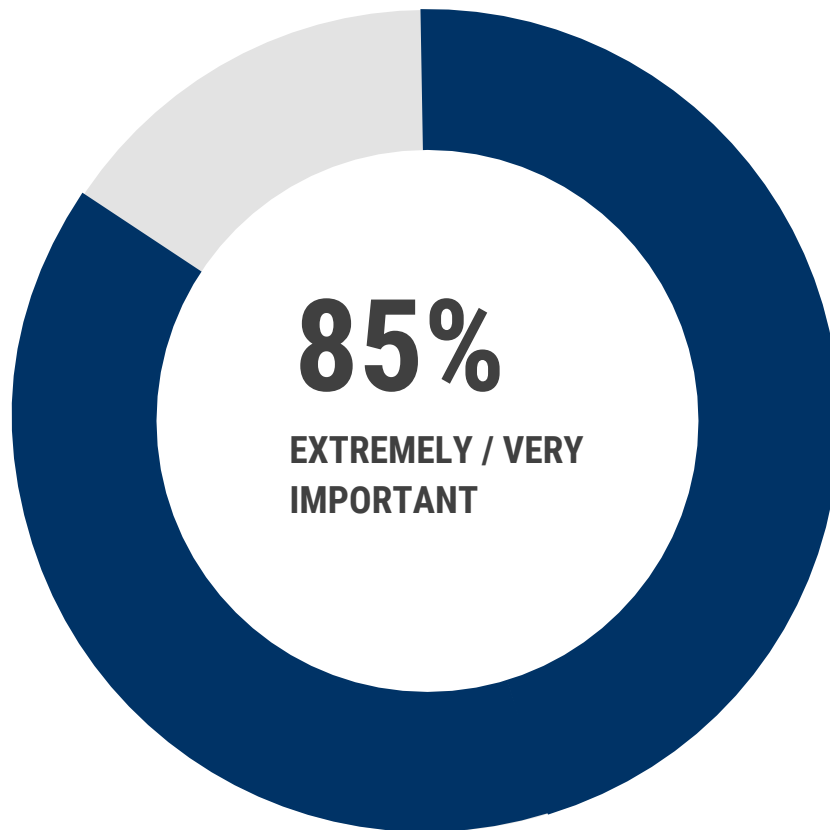
Venmo Quarterly US Payment Volume (\$Ms) Q3 2013 – Q3 2017



THE GOOD NEWS

85% of corporations view innovation as very important

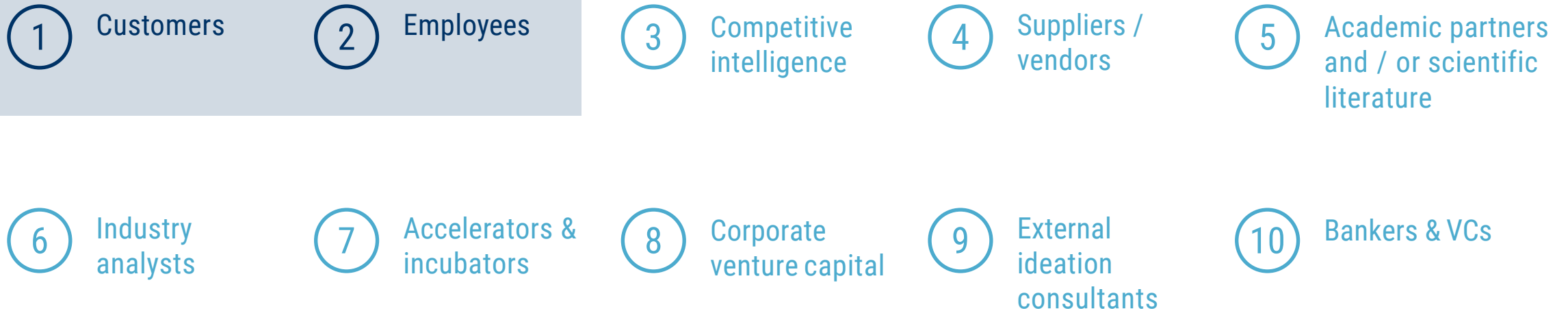
Innovation
importance



GREAT INCREMENTAL IDEAS

The things that cause sudden changes don't come from the sources they use

Ranking of sources of innovation

- 
- A diagram showing the ranking of sources of innovation from 1 to 10. The first two items, 'Customers' and 'Employees', are highlighted in a light blue box. The remaining items are listed in two rows of five. Each item consists of a number inside a circle followed by the source name.
- | Rank | Source |
|------|--|
| 1 | Customers |
| 2 | Employees |
| 3 | Competitive intelligence |
| 4 | Suppliers / vendors |
| 5 | Academic partners and / or scientific literature |
| 6 | Industry analysts |
| 7 | Accelerators & incubators |
| 8 | Corporate venture capital |
| 9 | External ideation consultants |
| 10 | Bankers & VCs |

A FOCUS ON THE EXISTING

Wringing revenue out of existing products & services leads to incrementalism

Ranking of goals

- 1 Generate revenue by enhancing existing products & services
- 2 Generate revenue by launching new products & services
- 3 Improving customer satisfaction
- 4 Improving operational effectiveness / productivity
- 5 Reducing costs for existing products and services
- 6 Reducing environmental impact

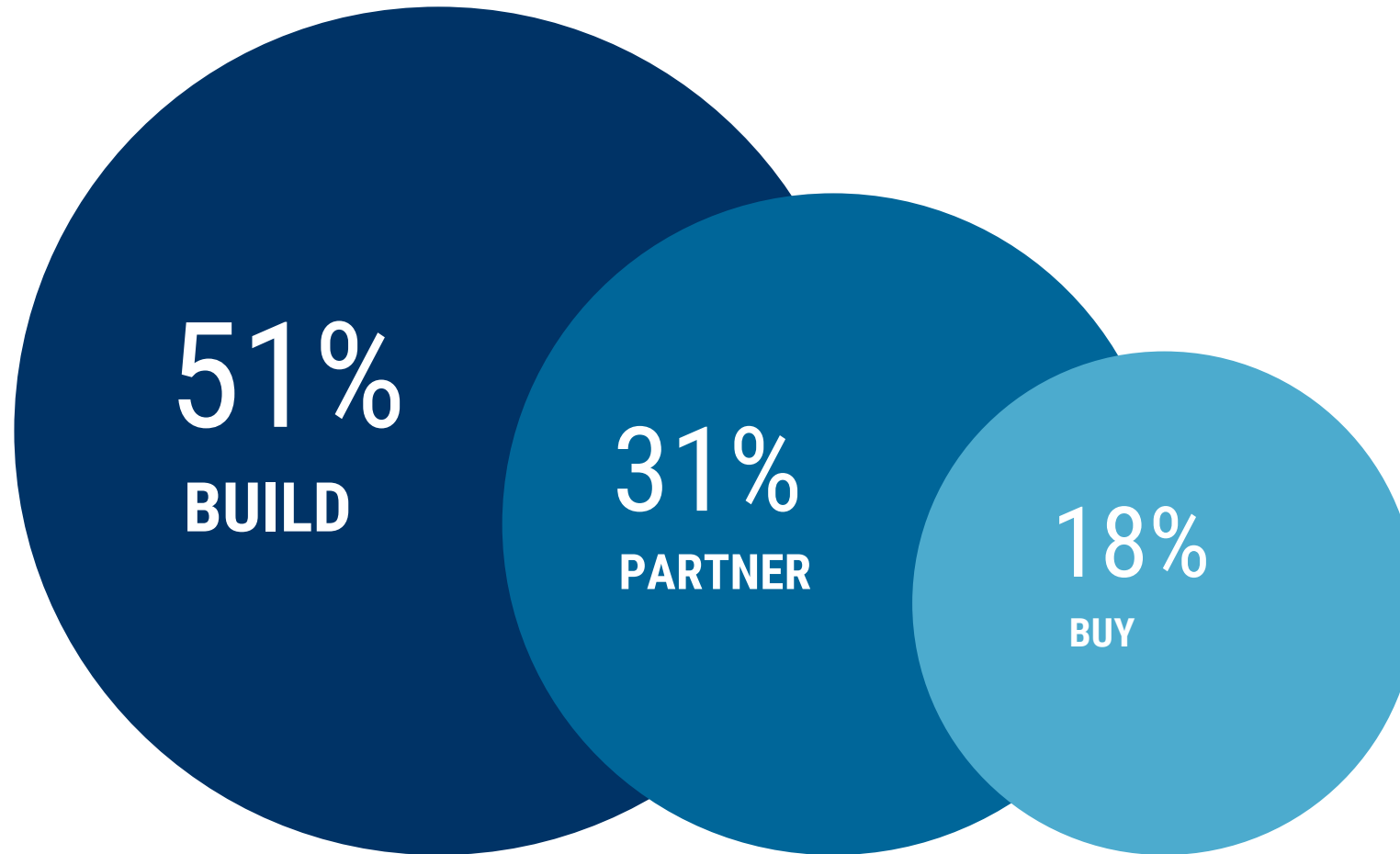
FLAVOR INNOVATION IS FINE

It just can't be all you do



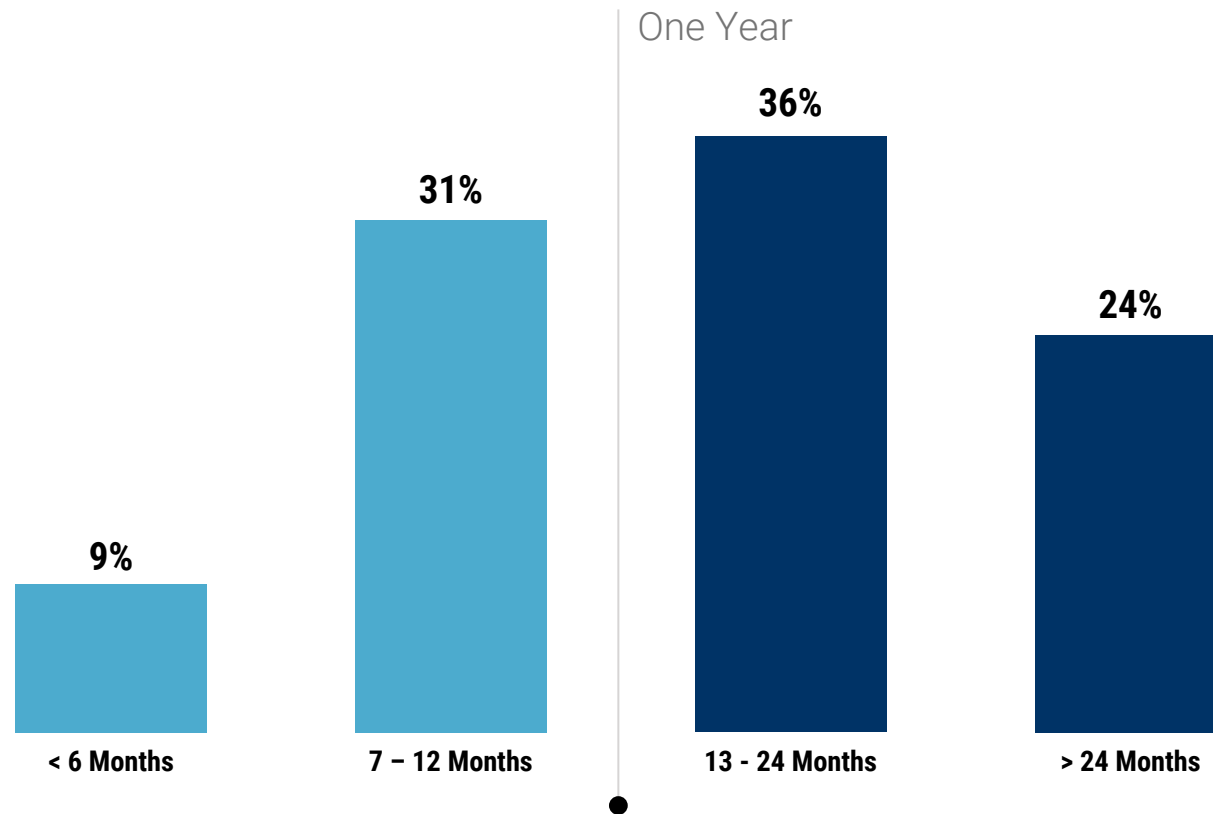
INVENTED HERE

More than ½ of corporations want to build



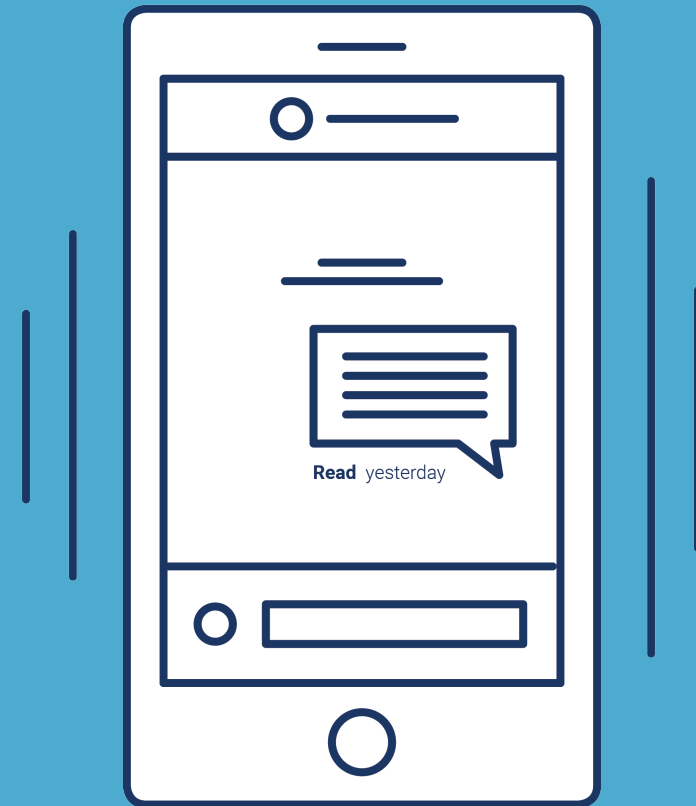
BUILDING IS SLOW

60% take more than a year to launch new (incremental) ideas



Average time from ideation to launch

The impacts of failing to respond



YOU DON'T HAVE THAT KIND OF TIME

Suddenly **comes quickly**

GRADUALLY, THEN SUDDENLY IN ACTION

Which company is this?



EVERYTHING LOOKS GREAT

Nothing to worry about, right?

“BlackBerry is still
leader of the pack”
- *CNN Money*

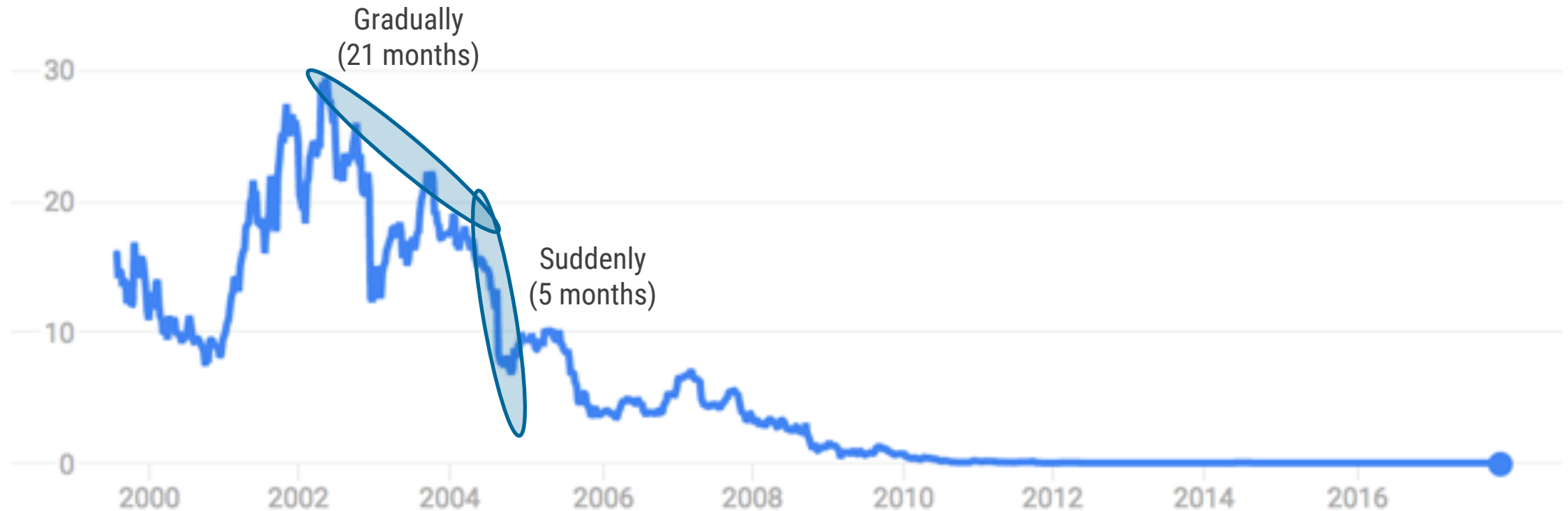
“RIM revenue, profits surge”
- *Business*

“BlackBerry Maker
Snags Half of U.S.
Smartphone Market”

“U2 jumps ship from Apple
to Research in Motion”

GRADUALLY, THEN SUDDENLY IN ACTION

Which company is this?



GRADUALLY, THEN SUDDENLY IN ACTION

Now, **shareholders are getting increasingly impatient**

Now, a failure to move quickly opens up potential battles with shareholders...

**“Billionaire investor
blasts P&G ...”**

“Bill Ackman says his
‘transformation plan’ for ADP will
more than double its stock price”

“Jana Partners had snatched
up almost 9 percent of
Whole Foods’ stock ...”

**“Wall Street to
CEOs: Disrupt your
industry, or else”**

...which can become about CEO & executive survival...

"ADP's historical success has made it a lethargic and inefficient sleeping giant," Bill Ackman wrote.

"If I could go back 10 years, I might **have done some things earlier.**" - Mickey Drexler

"... what should have been a traveling celebration of their boss as a thought leader shifted into immediate crisis mode." - *New York Times* on Whole Foods

"That's **what should have happened years ago.** It didn't happen. It didn't happen because you replaced Gillette people with P&G people. Very different culture. Very different people," Peltz said.

"Ford Motor Co.'s recent decision to boot then Chief Executive Mark Fields, a 28-year veteran of the company, exemplified a shift in the priorities of big companies across the U.S." - *Wall Street Journal*



Billionaire activist blasts P&G for letting online shave clubs obliterate Gillette

Former Gillette employees, according to Nelson Peltz, say P&G **should have come up with a strategy to beat Dollar Shave Club and Harry's.**

"That's what **should have happened years ago.** It didn't happen," Peltz says.

Peltz's \$12.7 billion hedge fund, Trian Partners, is seeking to elect Peltz to P&G's board of directors.



Bill Ackman says his 'transformation plan' for ADP will more than double its stock price

"Accelerate investments in necessary product and back-end improvements."

"Accelerate product migrations, sunset back-end systems, and cut associated legacy spend, with some reinvestment in product and other back-end improvements or other growth initiatives (i.e., Big Data)."

"Increase sales force productivity with better product offering."



THE WALL STREET JOURNAL.

Wall Street to CEOs: Disrupt Your Industry, or Else

[Ford Motor](#) Co.'s recent decision to boot then-Chief Executive Mark Fields, a 28-year veteran of the company, exemplified a shift in the priorities of big companies across the U.S. The message is simple: In an age of rapid disruption by the software and tech industries, a leader has to pick up the tempo and make riskier bets sooner... or else.

Mr. Fields even set [a course for adopting these emerging technologies](#). He just couldn't do it fast enough for Ford and its shareholders.



TexasMonthly

The Shelf Life Of John Mackey

A hedge fund in New York called Jana Partners had snatched up almost 9 percent of Whole Foods' stock and announced that it would pressure the company to either overhaul its business or sell itself—perhaps to another grocery giant, such as Kroger, or to a less traditional player, such as Amazon. Mackey and other leaders might have to be replaced.

J.CREW

THE WALL STREET JOURNAL.

J.Crew's Mickey Drexler Confesses: I Underestimated How Tech Would Uperend Retail

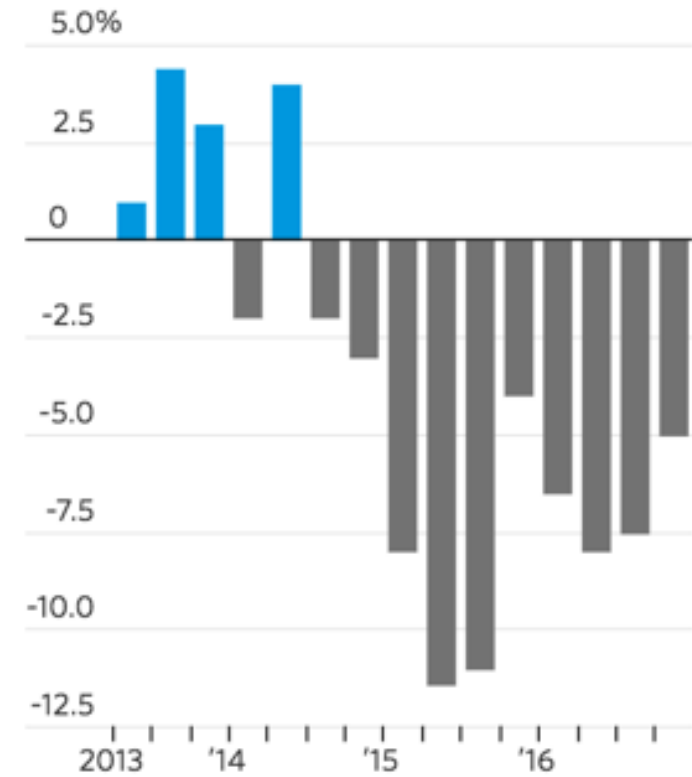
"I've never seen the speed of change as it is today," the 72-year-old chairman and chief executive of J.Crew Group Inc. said in an interview at his New York office. "If I could go back 10 years, I might have done some things earlier."

J.CREW

Latest Trend

J.Crew Group's same-store sales have declined for 10 straight quarters; change from a year earlier

Source: company filings
THE WALL STREET JOURNAL



The Insurgent Impact



Activist threat



Activist threat



Activist threat



J.CREW

Multi-year sales decline



CEO fired



BARNES & NOBLE

CEO fired



GNC

CEO fired



Paramount Pictures

CEO fired



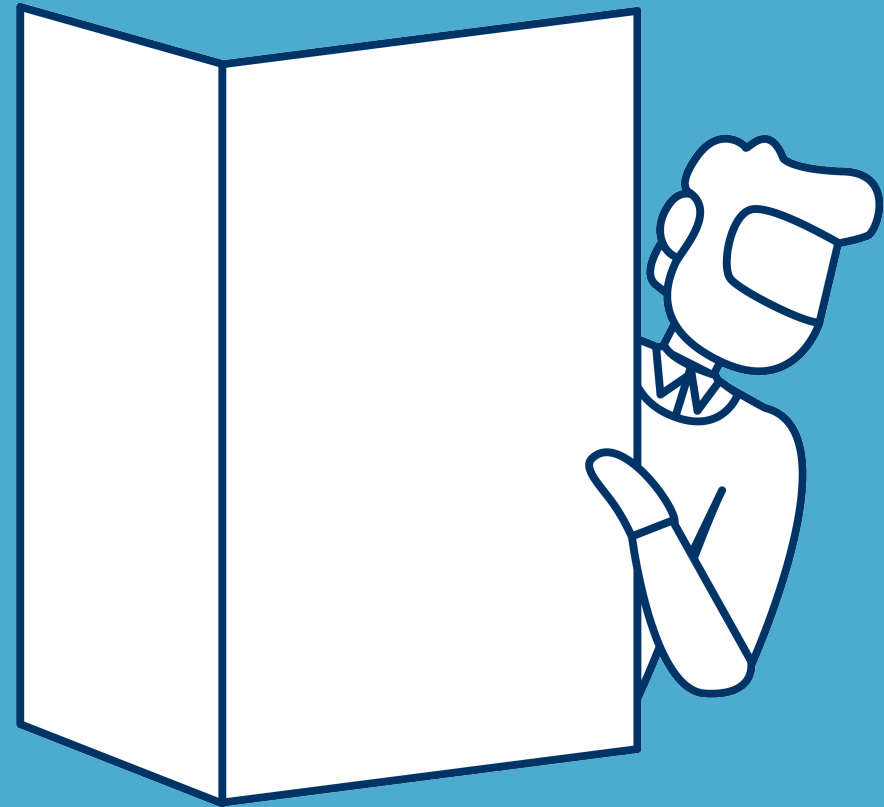
CEO fired



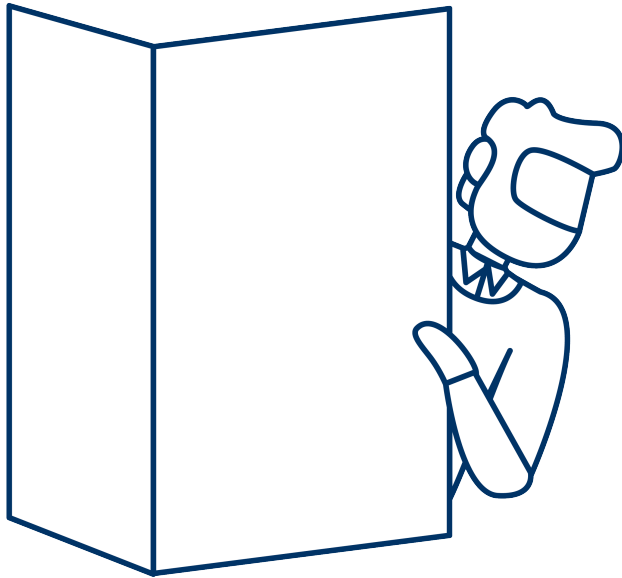
CEO fired



**A skill to see
around corners**



Knowing what you don't know



There is an immense amount of data and technology out there to help you see these trends, technologies and insurgents

90% OF THE WORLD'S DATA HAS BEEN CREATED IN THE LAST TWO YEARS

The information to predict and identify the drivers of these future trends and shifts is available

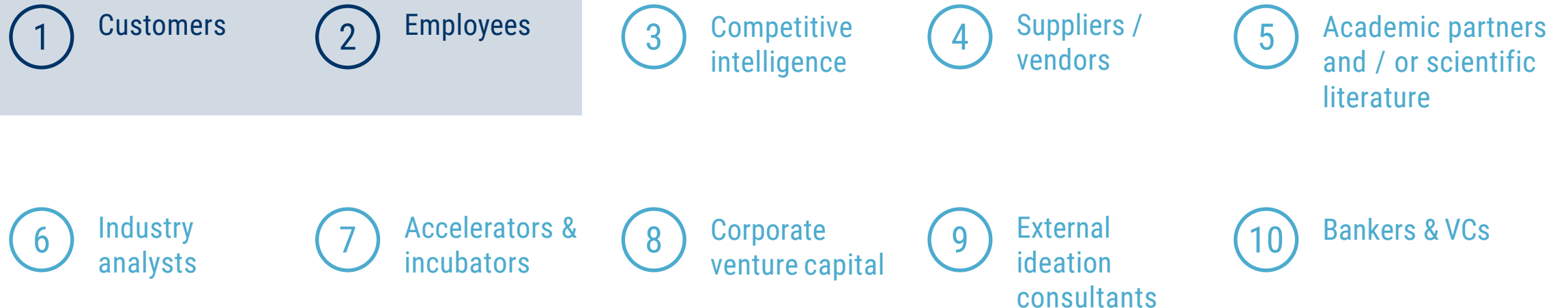
BRINGING A KNIFE TO A GUNFIGHT

But we need to realize that the ways
we've been taught to figure out
what's next were made for a world
that no longer exists

LOOKING BEYOND THE USUAL SUSPECTS

Organizations have to look beyond typical sources of innovation

Ranking of sources of innovation

- 
- A diagram showing the ranking of 10 sources of innovation. The sources are arranged in two rows of five. The first two sources, 'Customers' and 'Employees', are highlighted with a light blue background. Each source is represented by a blue circle containing a number, followed by the source name in blue text.
- 1 Customers
 - 2 Employees
 - 3 Competitive intelligence
 - 4 Suppliers / vendors
 - 5 Academic partners and / or scientific literature
 - 6 Industry analysts
 - 7 Accelerators & incubators
 - 8 Corporate venture capital
 - 9 External ideation consultants
 - 10 Bankers & VCs

SLOW, AD-HOC AND INCOMPLETE

Methods used were designed for a bygone era



"DESKTOP RESEARCH"

Rich with info but only useful if you know the questions to ask. Too often you don't know what you don't know.

PUNDIT ARMY

Sundry management consultants & advisors. There is simply a volume of info beyond human cognition.



NETWORK

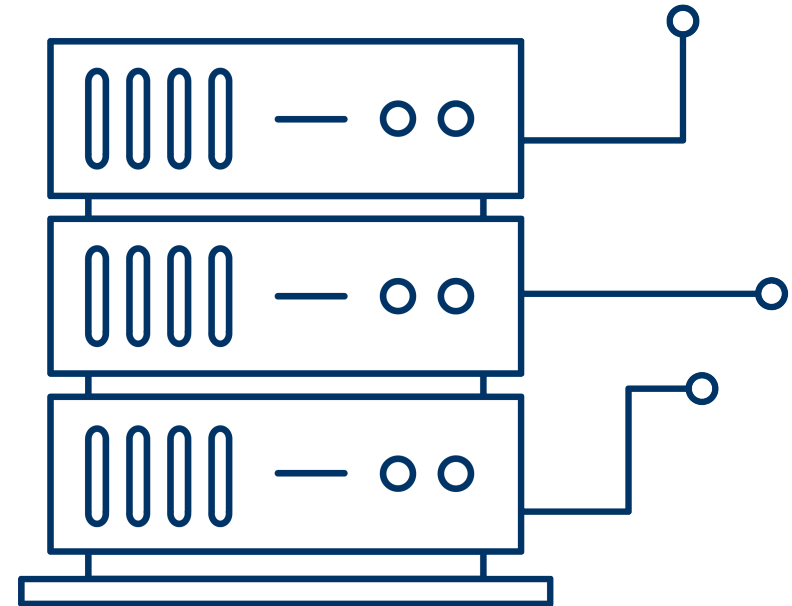
People and organizations consistently overestimate the quality and value of their network.

SEEING WHAT'S NEXT

Use the things that are making business faster



Technology



Data

MARKET RESEARCH 2.0

Understanding consumer habits using technology

NEXT-GEN MARKET RESEARCH

DATA-GATHERING DISPLAYS



EYE TRACKING & VOICE ANALYSIS



EXPRESSION & NEURO-ANALYSIS



GUEST WI-FI TRACKING



RECEIPT ANALYSIS



SIZING AND STYLING DATA



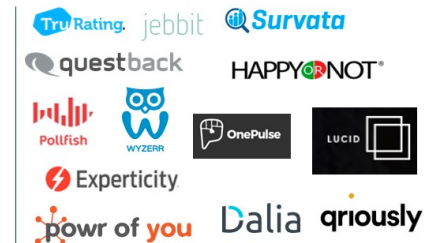
IN-STORE AUTOMATION



AUTOMATED FOCUS GROUPS



TECH-ENABLED SURVEYS



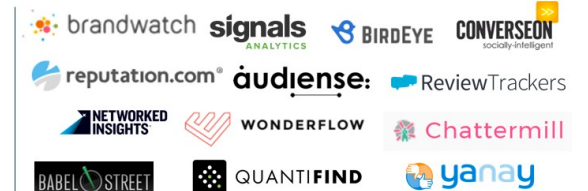
OFFLINE BEHAVIOR TRACKING



ONLINE BEHAVIORAL ANALYTICS



ONLINE SENTIMENT ANALYTICS



 CBINSIGHTS

THE ECOSYSTEM

Expert Automation & Augmentation Software

EAAS (\'ēz\) is AI focused on algorithms and technology that replicate human cognition.

LAWYERS



HR MANAGERS



MARKETERS



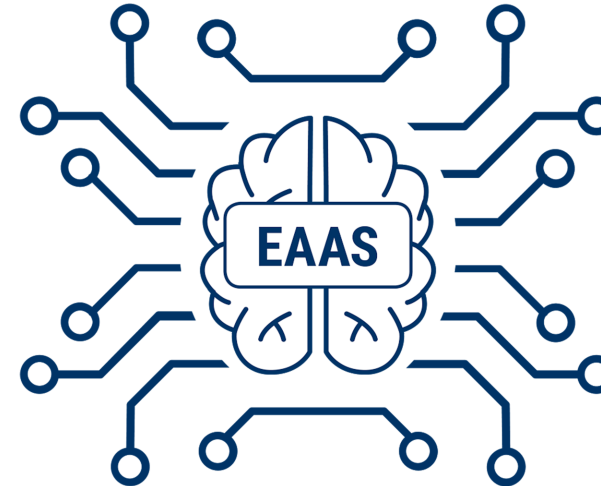
TEACHING ASSISTANTS



REPORTERS & EDITORS



SOFTWARE DEVELOPERS



CRM & SALES CLERKS



RESEARCHERS & CONSULTANTS



ACCOUNTANTS & AUDITORS



COMPLIANCE OFFICERS



INVESTMENT MANAGERS



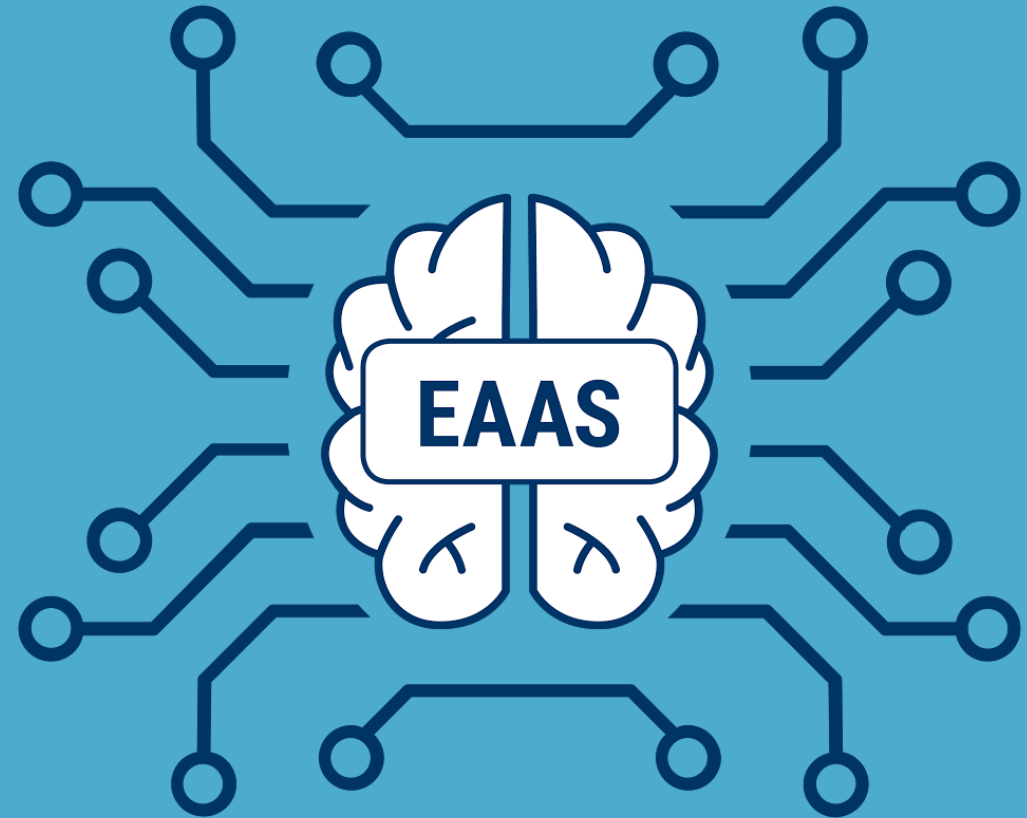
TRADERS



Machines take over the thankless tasks
that were, until recently, too complex to be
automated, and humans get to immerse
themselves in the most creative and
rewarding aspects of their jobs.

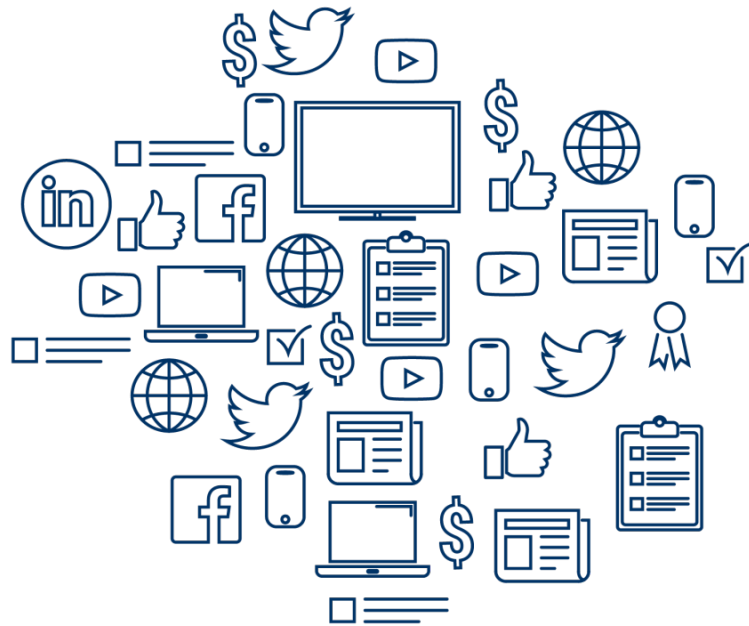
Source: WIRED, "Welcome to the Era of the AI Coworker"

**A view into what
the CBI machine
will soon enable**



WHERE IS THE SIGNAL

It's in the data exhaust



- Patents
- Web traffic
- News
- Social media
- Earnings transcripts
- Financial statements
- Regulatory Documents
- Clinical trial data
- Website descriptions
- Partnerships
- VC, M&A

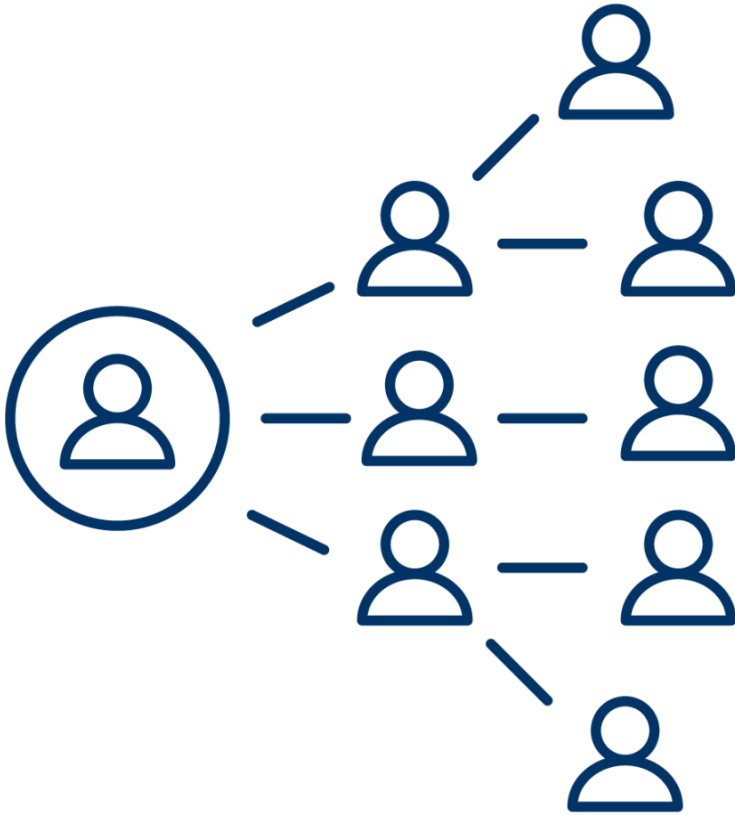
WHAT WE'VE LEARNED OVER TIME AS WE'VE STUDIED THE MARKET

“The problem is not information overload. It’s filter failure.”

Clay Shirky

DATA. DATA. DATA.

Extending the business graph



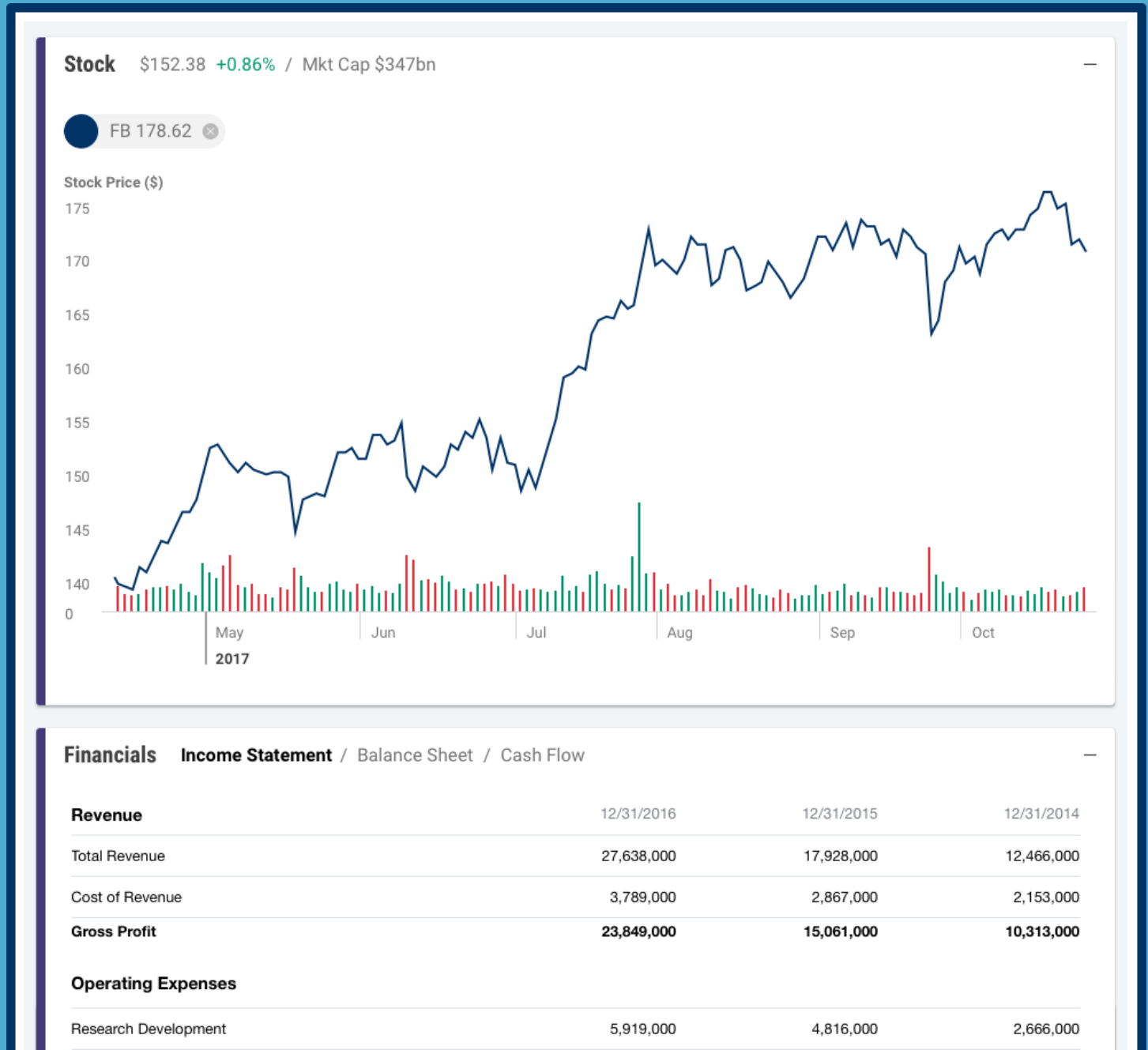
Our fundamental goal is extending the business graph we have for companies and industries by ingesting new datasets to .

And then ultimately making them available and combining them in novel ways.

Going beyond private markets

Ingesting public company data from 50 global exchanges:

- Stock prices
- Fundamentals (P&L, Balance Sheet, etc)
- Ratios (P/E, P/S, % on R&D



Enjoy finding logos on Google?

Market Map Maker lets you map industries and market landscapes in seconds

- Categorize companies
- Visualize
- Present and Share



Less pivot tables

You can now generate beautiful reports on topics of interest with just the click of a button.

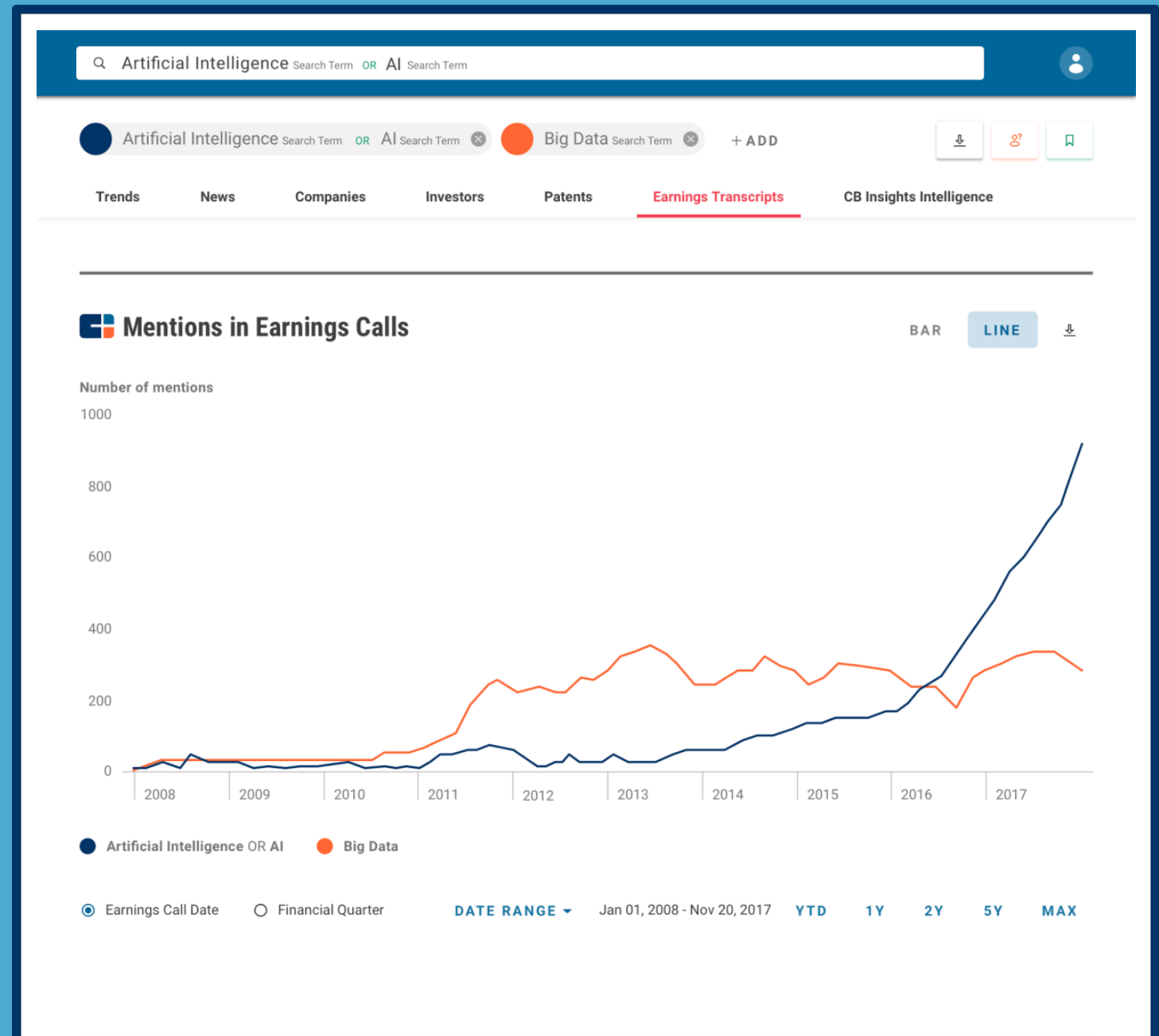


No more control-F on transcripts

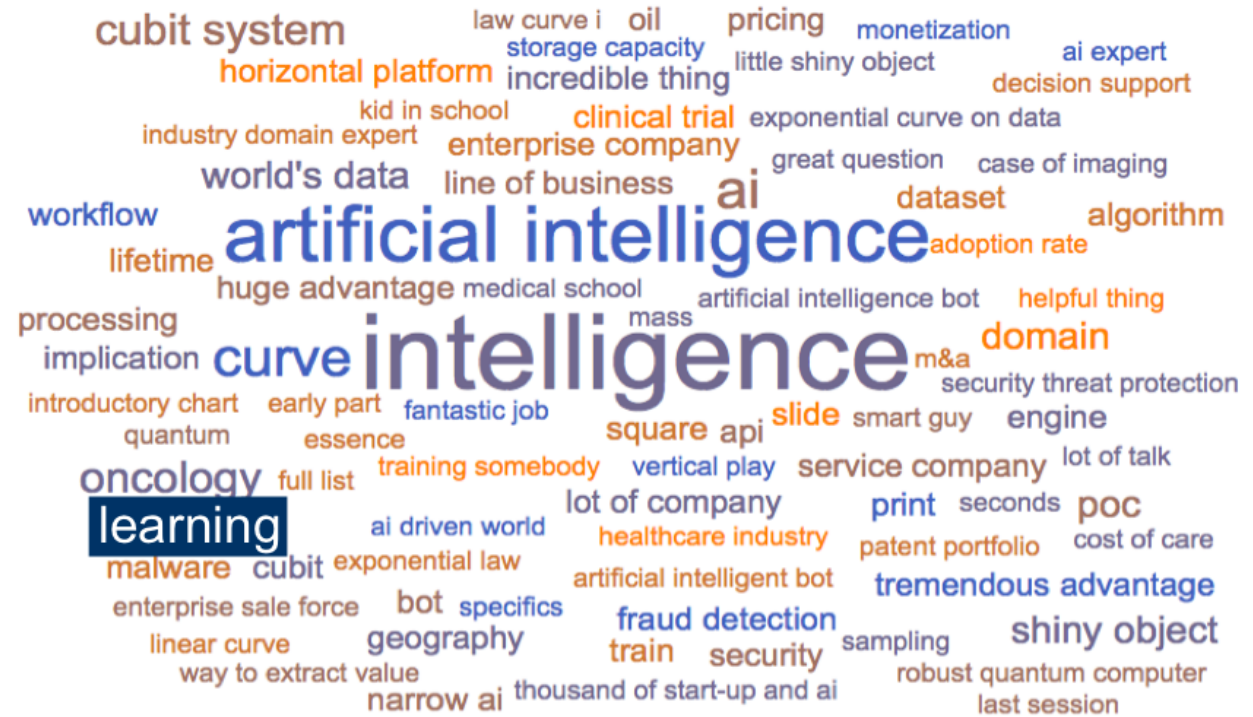
Earnings transcript
search engine

Ingesting transcripts for
6500 public companies
over last 10 years.

Analyze public
companies' interests in
topics overtime.



Extracting topics from transcripts to provide you an an informational edge on company strategy and trends.



This quarter, across our segments, security grew about 50%, driven by our security software solutions and strong demand for the pervasive encryption capabilities in our new z14. The mainframe is a great example of a core platform that we've continually modernized, and now with new capabilities like machine **learning** on z and pervasive encryption, it's been reinvented again for the cognitive and cloud era, as well as an ideal platform for blockchain. [Read more...](#)

Database of market sizings

We've created the largest global database of market sizings (9000+) via crowdsourcing and extracting estimates from unstructured documents.

Top Markets: Market Size Estimates and Related Markets

Show 25 Markets Go to: 1 1-25 of 8,700 Markets [NEXT >](#)




Markets	Related Markets	Related Companies Most well-funded	Market Size Estimates CB Insights Consensus
Robotics New	3D-printing, Traditional Manufacturing, prototyping +3 More	UBTECH Robotics, Anki, Ninebot	
Computer Vision New	Speech Recognition, Virtual-Reality Headset, 3D Sensor +1 More	UVEYE, Cape Analytics, TVision Insights	
Mortgage	Housing Finance, Rfinance, Subprime, Real-Estate, Lending, Auto Loan +14 More	Company 1, Company 2	
IoT	Connectivity, Internet of everything, Solution +15 More	Company 1, Company 2	
Traditional Retail	Fashion Apparel, Offline Shopping, Online Retailing, Luxury Retail +1 More	Company 1, Company 2	
Construction	Plumbing, Landscaping, Commercial Property, Cement +15 More	Company 1, Company 2	
Consumer Lending	Auto Lending, Small Business Lending, Consumer Finance +12 More	Company 1, Company 2	
Food Retail	Specialty Food, Online Grocery, Online Grocery Shopping, Food Retailing +2 More	Company 1, Company 2	
Financial Services	Peer-to-Peer Lending, Private Banking, Consumer Finance +23 More	Company 1, Company 2	
Consumer Credit	Auto Loan, Small Business Credit, Housing Finance, Consumer Lending +8 More	Company 1, Company 2	
Hedge Fund	Hedge Funds, Money Fund, Fund, Private Equity, Investment Banking +4 More	Company 1, Company 2	

Computer Vision

Related Markets

Speech Recognition	\$5,700M
Virtual-Reality Headset	\$33,300M
3D Sensor	\$33,300M
Natural Language Processing	\$33,300M

Related Companies

 UVEYE	val. \$50.00B raised \$14.10B
Last raised 4 months ago	
 Cape Analytics	val. \$6.00B raised \$3.44B
Last raised 27 days ago	
 Sighthound	val. \$3.65B raised \$2.54B
Last raised 2 months ago	

[SEE ALL COMPANIES \(163\) >](#)

Market Sizing Estimates

CB Insights Consensus	\$19,500M
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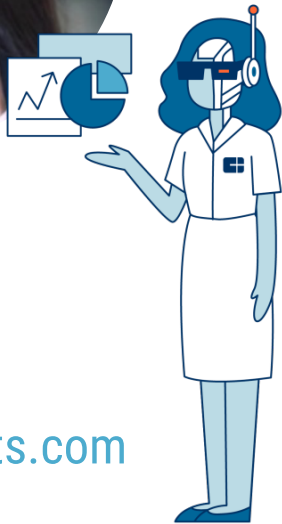
WHO TO TALK TO

If you want to talk product



Lucy

lhuang@cbinsights.com



Alex

atestu@cbinsights.com



Justine

jkolsky@cbinsights.com



CONVERSATIONS TO WATCH THIS AFTERNOON

Trends and technology infiltrate new industries



Liza Landsman

Jet.com President



Michael Vaughan

Venmo COO



Othman Laraki

CEO, Color Genomics

Gradually, then suddenly...

DECEMBER 13, 2017

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