

Smarter Data: The Competitive Edge

Enhancing experiences, engagement, and interaction

For decades, information technology has been viewed as “enterprise computing,” but a paradigm shift is underway — which increasingly focuses on experiences, engagement, and interaction. This shift includes using data in smarter ways to help predict, adapt and respond to our changing needs.

In this brief, the first installment of our Smarter Living series, we share perspectives from several innovators taking advantage of this important trend. These are great examples of a powerful trend where successful tech-driven companies leverage clever uses of the right Smarter Data for strategic advantage.

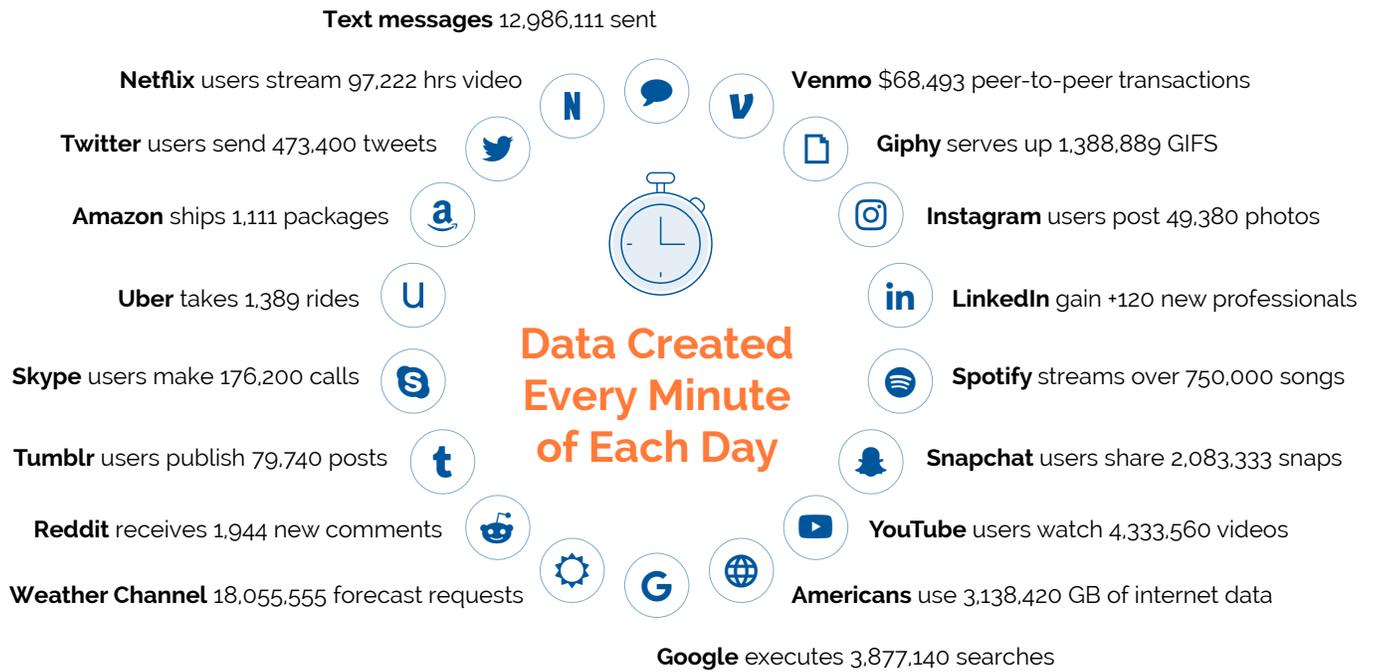
Using Smarter Data — to add value to customers, businesses and communities. The smarter data opportunities are broad based. Smarter data can help businesses better understand their customers and prospects. Smarter data helps consumers improve relationships with organizations that can address their needs and interests. Smarter data helps communities better plan for future changes.

Organizations highlighted in this brief come from the areas of Direct-to-Consumer eCommerce, Digital Health and Personal Finance. They include *Fitbit*, *Oscar Health*, *23andMe*, *Tuft & Needle*, *Framebridge*, *Addepar*, and *Upstart Network*.

“There is so much data in market and non-market environments ... the irony, however, is that there can be both too much data yet too little good data available when the time comes to make decisions.”

Better Decisions with Smarter Data
MIT Sloan Management Review
February 20, 2014

Chart 1: Data Created Every Minute of Each Day (2018)



Adapted from Domo, with data from Statista, LinkedIn, Internet Live Stats, Expanded Ramblings, Slash Films, RIAA, Business of Apps, International Telecommunications Union, International Data Corp.

By leveraging data from a wide array of sources, we gain new insights. Smarter data-driven tools and services help us in many ways including: 1) improve understanding of customer behavior, 2) develop better marketing campaigns, 3) optimize supply-chain dynamics, 4) reduce fraud, 5) manage risk and more.

As we interact with smartphones, chatbots, kiosks, Internet of Things (IoT) devices, call centers, customer service centers and other sources, the volume of data that is collected will expand.



Chart 2: Smart Data Opportunities: A Sampler



Direct-to-Consumer

Personalize sales, supply-chain management



Finance

Fund selection, customer service



Healthcare

Monitor vital signs, improve patient care



Telecom

Resource allocation, equipment diagnostics



Utilities

Smart meter monitoring, Usage analysis



Government

Surveys, polling, informing



Manufacturing

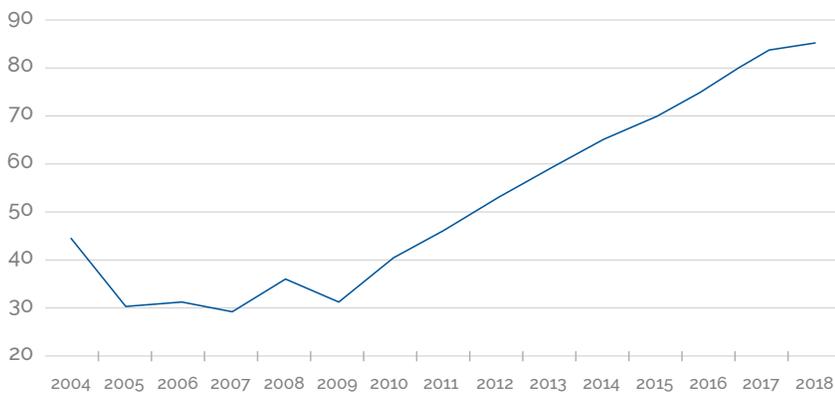
Equipment maintenance



Transportation

Unsafe driving detection

Chart 3: The “Value of Data”



At La Honda Advisors, we continue to hear from market participants that the best smarter data strategies are those that use the “right data” from these increasing information flows.

As presented in Chart 3, interest in the “value of data” continues to increase (information based on Google Trend analysis).

“Data are to this century what oil was to the last one: a driver of growth and change ... Digital information is unlike any previous resource; it is extracted, refined, valued, bought and sold in different ways.

“The new economy is more about analyzing rapid real-time flows of often unstructured data: the streams of photos and videos generated by users of social networks, the reams of information produced by commuters on their way to work, the flood of data from hundreds of sensors”

Data is Giving Rise to a New Economy Economist (May 6, 2017)

Direct-to-Consumer (DTC)

Because leading direct-to-consumer (DTC) organizations are applying smarter data strategies, **Interactive Advertising Bureau (IAB) CEO Randell Rotherberg** discussed the value of data in his presentation “**How to Be a 21st Century Brand**,” where he said:

*“In this new economy, 21st Century Brands create value by tapping into low-barrier-to-entry, capital-flexible, leased or rented supply chains. And they extract that value through a multiplicity of fulfillment models, all of which have a single thing in common: they aim to create a mutually beneficial, two-way relationship between the brand and the consumer, because that **interactive relationship throws off the data that is the central competitive element for every other function in the enterprise.**”*

ROCKETS OF AWESOME

Founded in 2016, Rockets of Awesome provides a subscription-based e-commerce platform for buying personalized boxes of children’s apparel that are prepared and shipped on a seasonal basis. Emphasizing the value of data, **CEO Rachel Blumenthal** said,

*“We’re focused on how to continue to build a business that is sustainable economically while delivering an over-the-top amazing experience to our customers. The **data science really does drive everything that we do.** It’s the perfect combo of art and science. That reliability of the fit, comfort, style, and price point is important. So we leverage so much feedback from our customers to drive what we do every single day.”*

FRAMEBRIDGE

Framebridge, which started in 2014, provides online custom framing service designed to customize photos and memorable moments. Applying a smarter data strategy helps 1) customers choose from a curated selection of frame styles and 2) the company build an effective support and product delivery supply chain. **CEO Susan Tynan** said:

*“I started Framebridge, which **blends ecommerce, logistics, and an intense focus on the customer experience,** to make custom framing easy on you and your wallet. We’re a special kind of company. We deliver a deeply personal product and experience. We use commercial scale to make framing faster and more affordable, but we strive to make each customer experience special.”*

TUFT & NEEDLE

Founded in 2014, Tuft & Needle (recently merged with Serta Simmons Bedding) offers sleep products, such as mattresses, pillows, sheets and duvet covers. The company's founders (both software engineers) have a strong focus on customer engagement, a process that integrates data from Net Promoter Scores (NPS), social media, recommendations and ratings (i.e., Amazon ratings). **Co-founder Daehee Park** believes that:

*“Having a **personal experience with your customers creates a sense of authenticity** — one of the keys to our success is authenticity. We bring an authentic story that ties into the price and features. For credibility, we lead people to Amazon to show authentic reviews that are true customer testimonials.”*

Digital Health

Doctors, hospitals, medical researchers and insurers are increasingly focused on digital services, which is driving innovation across the technology spectrum. For example, **Heathdata.gov**, which launched in 2011 with 30 data sets, today accesses 1,900 data sets. This growth is driving the need for smarter, better data approaches. **Bruce Greenstein, Chief Technology Officer for the US Department of Health and Human Services** commented on this need in an April 4, 2018 blog post:

*“HealthData.gov should not be merely a reflection of the number of data sets published. Rather, the **data available to the public needs to be discoverable, usable, timely, and high-quality.**”*



Founded in 2007, the firm has focused on leveraging sensors, wireless technology and data to bring amazing experiences to fitness and health. Their wearable activity tracker products measure factors such as steps walked, heart rate, quality of sleep and stairs climbed, enabling users to reach their health and fitness goals. The firm, in an SEC filing said:

*“Devices enable data collection, provide a point of interaction, while software and data drives engagement and can be leveraged to provide personalized insight. Together, **devices, data and software form a platform that gives users the tools to help reach our health and fitness goals, while also providing them with a more complete picture of their overall health.**”*

oscar

Founded in 2007, Oscar Health's mission has been to be a health insurance company that helps its members make the right healthcare decisions. This process is driven by expertise in technology, health care, public policy, systems design, and data to make the health care system a better experience. **CEO Mario Schlosser** said:

*“Most partners and vendors in health care—the big drug vendors, the big imaging vendors, and so on—are not set up for anything close to **real-time data transmission** ... seeing what is happening with somebody in **real-time has one of the biggest possible impacts** on whether that person would be willing to take advice and think differently about their care.”*



Founded in 2006, 23andMe focuses on one of the most exciting scientific endeavors of our lifetime — deciphering the wealth of data of the human genome. The company's consumer genetics and research platforms help individuals gain deeper insights into personal ancestry, genealogy and inherited traits. **CEO Anne Wojcicki** said:

“I was always impressed by the eagerness of individuals to learn about their health and take action, they just needed the opportunity and time to learn and absorb ...

“Since our earliest days, we wanted to pioneer a path where people can get their genetic information directly and do not have to go through a physician or genetic counselor for access or interpretation.”

Personal finance

Smarter data approaches are improving how financial organizations address needs in risk assessment, financial analysis, portfolio management, credit approval, know your client (KYC) & anti-money laundering (AML) compliance, operational and customer interaction processes and cyber/data security.

Recently, **Brian Moyer**, director of the U.S. Bureau of Economic Analysis /Federal Reserve (April 2018) said:

“What has really changed is not so much the availability of the data, but the data science tools and our ability to process and use it in real time, We can drill into the changing composition of goods and services expenditures and that is what is going to keep GDP accurate.”

Also, the U.S. Department of the Treasury’s report “A Financial System That Creates Economic Opportunities” (July 2018) said:

*“Financial institutions and technology-focused firms have recognized this **shift [to digitization]** where consumers “reside” and have consequently been transforming their business activities to meet customers’ demand for digital interaction where possible.”*



Since its founding in 2009, Addepar, Inc. has focused on being a “financial operating system designed to bring common sense and ethical, data-driven investing to our financial world.” Today, more than \$1 trillion in assets are managed on the Addepar platform by 250 firms, including Morgan Stanley, AllianceBernstein, Oppenheimer & Co. Inc., BMO Wealth Management’s CTC | myCFO and Jefferies.

Continuing its focus on smarter ways of using data, they acquired AltX, which uses advanced data science techniques and proprietary algorithms and leverages a smart matching engine to associate it with a rich content database. This approach increases data transparency and context. **CEO Eric Poirier** said:

*“Addepar gives wealth advisors the technology, data and services they need to deliver tailored and comprehensive solutions to each of their clients ... [AltX] propels Addepar forward in building a **unified data model and common language to power the financial system.**”*



Since its launch in May 2014, Upstart Networks, Inc. has originated more than \$2.4 billion in consumer loans. To help identify high-quality borrowers, the firm uses a proprietary underwriting model that incorporates data from many sources beyond traditional FICO scores. This process has helped to provide loans to people with limited credit and/or employment experience. **CEO Dave Girouard** said:

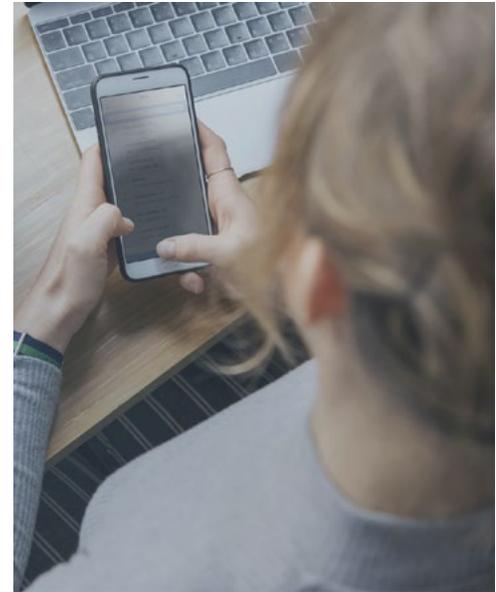
“We gather as much data as possible about loan applicants ... we look at things like education, employment history, how they interact with our application, etc. The amount of data in our credit decision is dramatically larger than what other lenders typically use ... we use AI-ML techniques to help us understand the data we’ve gathered and to accurately model risk ... we’re the first to use them to make smarter lending decisions every day.”

Closing Thoughts

We believe it is noteworthy that businesses serving different markets and end users (Direct-to-Consumer eCommerce, Personal Finance, Digital Health) can base their success on a similar principle — Smarter Data.

We recognize the tremendous value and opportunity being unlocked with Big Data and the massive analytic capabilities of Artificial Intelligence and Machine Learning. At the same time, business innovators are finding value by accessing and leveraging the right Smarter Data in clever ways.

We anticipate that the success of these businesses will lead to a burgeoning Smarter Data ecosystem — with innovators making novel and productive use of data in many industry sectors.



About La Honda Advisors

La Honda Advisors is an investment banking boutique focused on achieving exceptional M&A and financing outcomes for our clients. Our clients are the innovators and technology leaders who build great companies and seek more creative, nimble approaches. While based in Silicon Valley, our reach is global.

For more information on La Honda Advisors, please visit our website at www.lahondaadvisors.com or contact our Partners.

La Honda Advisors received compensation in the past from one of the companies mentioned in the white paper. Neither La Honda Advisors nor any associated persons are currently receiving any compensation, providing any services, or have any debt or equity investments in any firm that is the subject of this white paper.

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