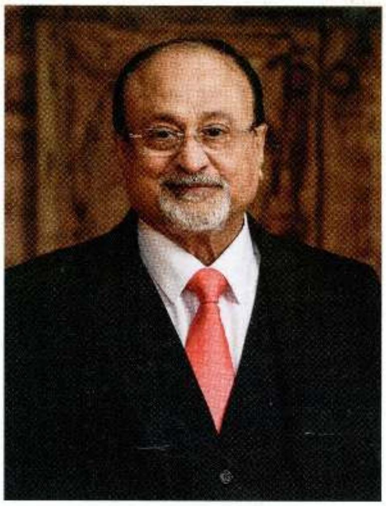
BUSINESS TODAY
AUGUST 2021

## The Courage to be Different



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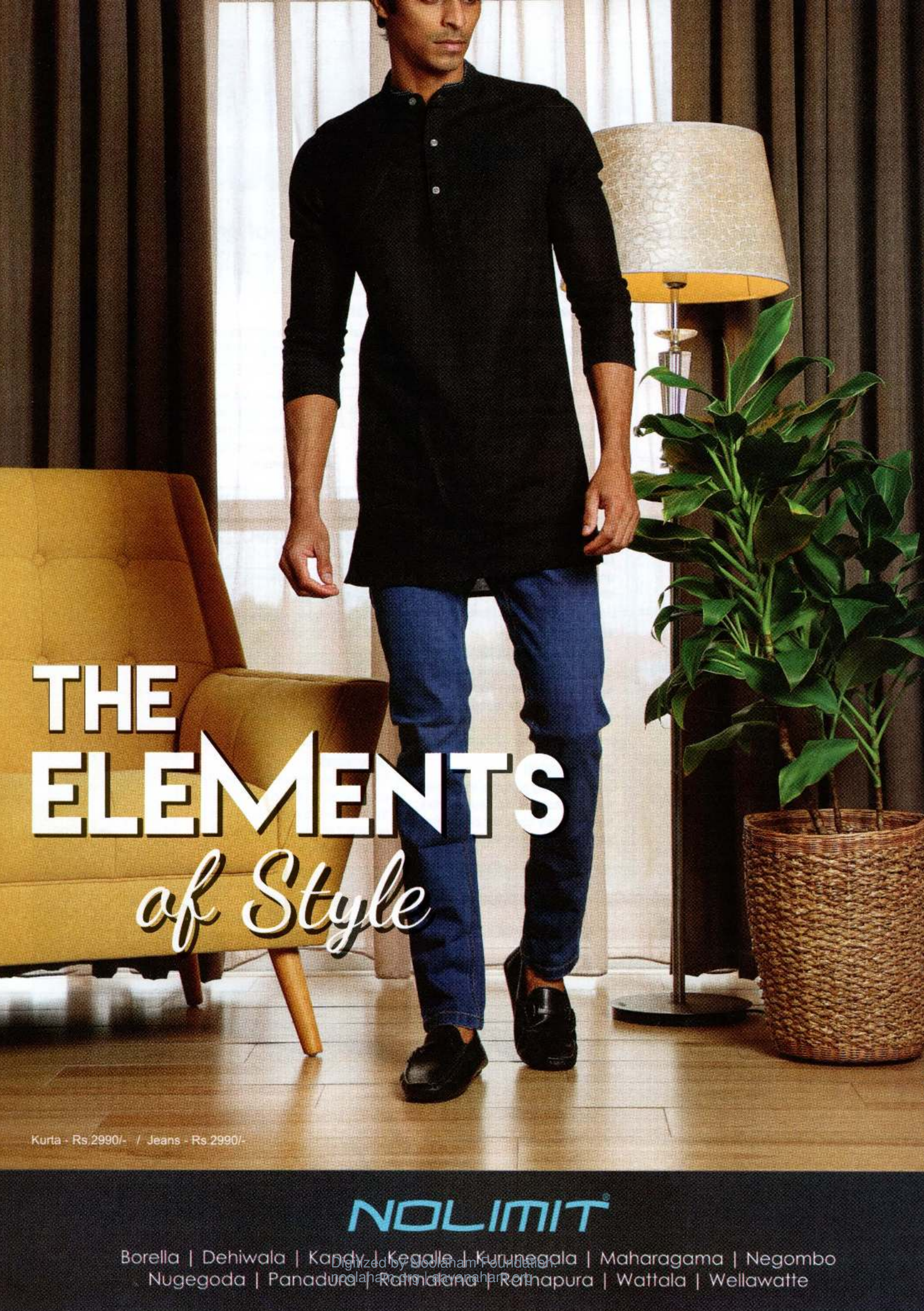
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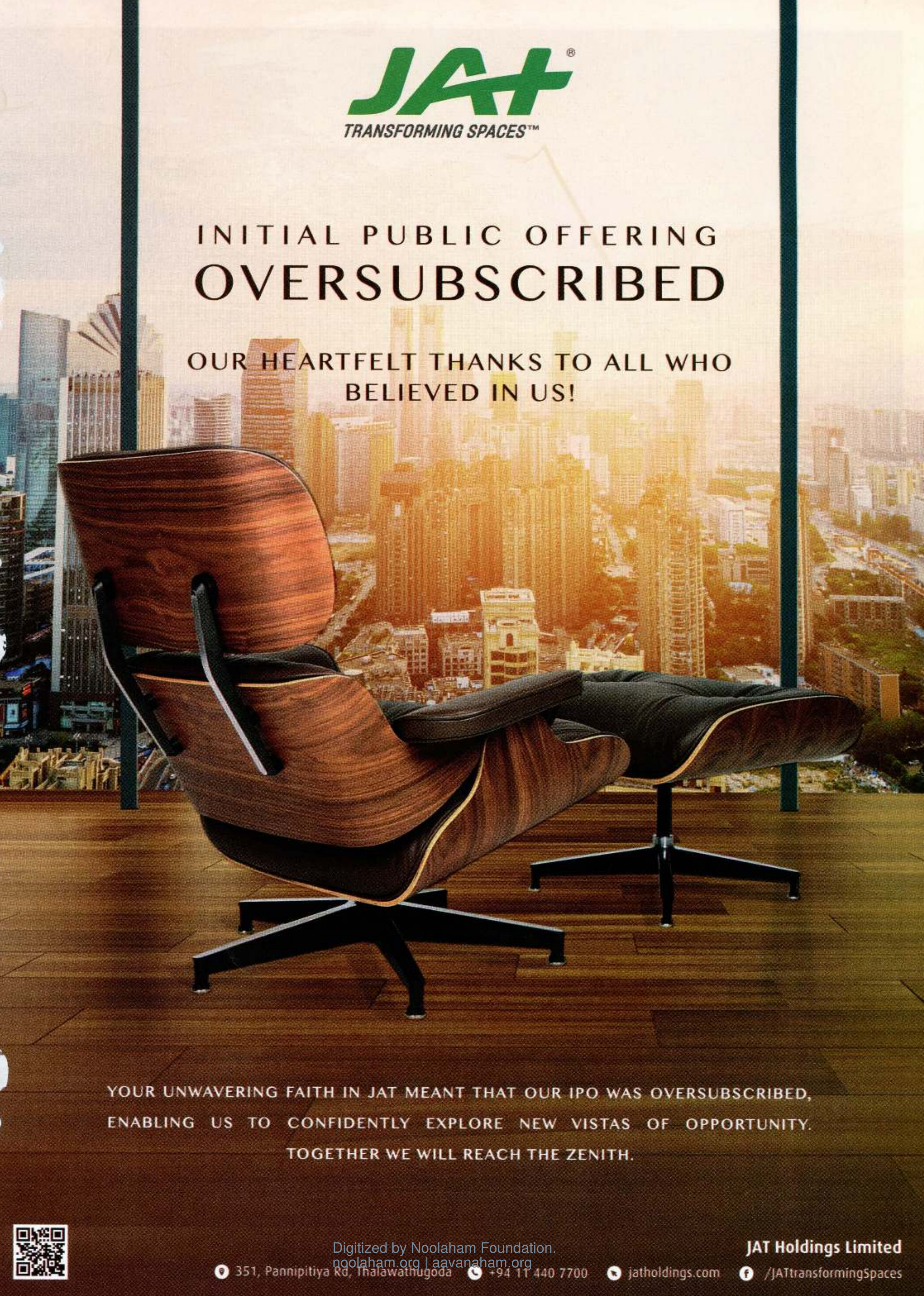
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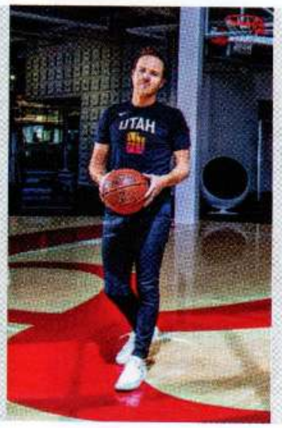








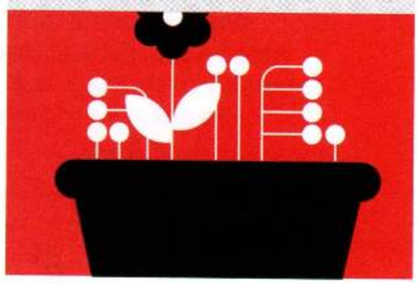

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# Blue Origin Jeff Bezos Post-Flight Press Conference

Jeff Bezos, Mark Bezos, Wally Funk, and Oliver Daemen held a press conference after their Blue Origin flight to space on July 20, 2021.


Blue Origin's First Human Flight crew prior to astronaut load. Pictured from left to right: Oliver Daemen, Jeff Bezos, Mark Bezos, Wally Funk and CrewMember 7 Kevin Sproge.

Wally Funk: We're all here.

Speaker 1: Please take your seats.

Ariane Cornell: Good morning, everybody. My name is Ariane Cornell, Director of Astronaut Sales here at Blue Origin. The first human flight crew of New Shepard. Another round of applause. And without further ado, I think it is time to pin these four wonderful people astronauts. And with that, I'd like to introduce to the stage Jeff Ashby, our Senior Director of Safety and Mission Assurance, as well as former space shuttle commander.

Jeff Ashby: I am deeply honored today to represent all of the Blue Origin employees, especially the New Shepard team, past and present, and awarding wings to the first four Blue Origin astronauts. These astronauts will wear a set of wings in the shape of the letter A. The side pieces represent the road to space and our feather logo is the crossbar, and at the top a tiny blue sapphire to remind these folks that they are from planet Earth and that they have a mission to protect this home. With that said, Oliver, would you join me? They didn't make this easy. I practiced. Let me say something. Oliver, you have received a special gift of the astronauts' perspective. I know that you will do good things with it and make the world a better place. Congratulations.

Oliver Daemen: Thank you very much.

Jeff Ashby: Mark, would you join me please?

Mark Bezos: Gladly.

Jeff Ashby: It's so exciting for you guys.

Jeff Ashby: Any pain yet?

Mark Bezos: Not yet. Just pound it into me.

Jeff Ashby: Yeah.

Mark Bezos: I know you want to.

Jeff Ashby: I'm going to hand you this...

Mark Bezos: Thank you.

Jeff Ashby: Mark, I hope this experience will help you to continue to do the great things you're doing for humankind. Congratulations.

Mark Bezos: Thank you, Jeff.

Jeff Ashby: Jeff, would you join me please? This is so cool.

Jeff Bezos: I'm so happy. Thank you, Jeff.

Jeff Ashby: This is such a privilege.

Jeff Ashby: There are few people I know more deserving of this, Jeff. Seriously. And I don't know what you're going to do next, but I can't wait to watch. Congratulations.

Jeff Bezos: Thank you.

Jeff Ashby: And Wally, would you join me please? All right. Sixty years, Wally. And I get to pin this on.

Wally Funk: Wow. It's the best pin I've ever had in my life and I've had lots of them.

Jeff Ashby: Wally, you continue to inspire us. Thank you so much for doing that and God bless you. Congratulations.

Wally Funk: Thank you. More to come.

Jeff Ashby: Yes.

Wally Funk: It was great! Fabulous!

Jeff Ashby: The first four of millions to follow.

MC: Again, the newest international astronauts. The crew of New Shepard. Congratulations to all four of you.

MC: So without further ado, how was it?

Wally Funk: Whew, it was great!

MC: Jeff, what was it like? Was it everything you imagined?

Jeff Bezos: I'm going to answer that question, but just real quick.

MC: Please.

Jeff Bezos: I want to thank a few people. First of all, all of the engineers at Blue Origin who have toiled hard to get this done. The people who built the vehicle, all of our manufacturing people. This is a big team. They've been working on it for many years and they have done an extraordinary job of building the most reliable, most beautiful, most fun, I mean I can vouch for that and I'll get to that in a second, vehicle. We owe them a deep gratitude. And the people who kept us safe today, who operated the vehicle, our trainers, everybody. It's just huge.

Jeff Bezos: I also want to thank the town of Van Horn. This is a small and amazing little town and we're making a dent in it, and we appreciate you for allowing us to be part of your town. And then, I also want to thank every Amazon employee and every Amazon customer because you guys paid for all this. So seriously, for every Amazon customer out there and every Amazon

My expectations were high and they were dramatically exceeded...The most profound piece of it for me was looking out at the Earth and looking at the Earth's atmosphere. Every astronaut, everybody who's been up into space, they say this. That it changes them and they look at it, and they're kind of amazed and awe struck by the Earth and its beauty, but also by its fragility. I can vouch for that.

It was so amazing to see it from above and to move around. Like yeah, I totally agree, it feels so natural. Almost like we should be doing this. We are one of the first and let's hope that many, many more people can do this because this experience you should share with more and more people. It's so amazing.

employee, thank you from the bottom of my heart very much. It's very appreciated.

Jeff Bezos: And now onto how it felt. Oh my God! My expectations were high and they were dramatically exceeded. We were talking about this a little bit in the car ride on the way back and I don't know, the zero G piece may have been one of the biggest surprises because it felt so normal. It felt almost like we were, as humans, evolved to be in that environment, which I know is impossible, but it felt so serene and peaceful, and the floating. It's actually much nicer than being in full on gravity. It's a very pleasurable experience. Just from the sheer, just the way it feels, the tactfulness of it.

The most profound piece of it for me was looking out at the Earth and looking at the Earth's atmosphere. Every astronaut, everybody who's been up into space, they say this. That it changes them and they look at it, and they're kind of amazed and awe struck by the Earth and its beauty, but also by its fragility. I can vouch for that.

Jeff Bezos: When I look out... You know, when we're sitting in this room or we're driving our cars and we're moving around the planet in our normal ways the atmosphere is so gigantic. We're these tiny little things and the planet, the atmosphere is so big. But when you get up above it, what you see is it's incredibly thin. It's this tiny little fragile thing and as we move about the planet we're damaging it. So, that's very profound. It's one thing to recognize that intellectually, it's another thing to actually see with your own eyes how fragile it really is. And that was amazing. Who wants to add?

MC: Oliver, you want to tell us how it was? Our first paying customer. You feel like you got your money's worth sir?

Oliver Daemen: For sure. For sure. No, it was so amazing to see it from above and to move around. Like yeah, I totally agree, it feels so natural. Almost like we should be doing this. We are one of the first and let's hope that many, many more people can do this because this experience you should share with more and more people. It's so amazing.

MC: And a special congratulation to you on becoming the youngest person to have ever flown in space.

Oliver Daemen: Thank you.

MC: You brought with you up there the next generation of space explorers, but certainly another flag up there, the Netherlands. To everybody out there, the Netherlands, there's the new Dutch flying man. There you go.

Jeff Bezos: Mark, you should say that thing you told me in the car about the G forces. I thought that was really interesting.

Mark Bezos: Well, I was surprised. I mean, they had told us what the G forces would feel like on the way up. Again, it's one of those things that you hear about and you anticipate, but you really feel them on the way up. It was incredibly exhilarating. And then on the way back down, what I had not anticipated. We hit five Gs briefly on the way back down and that's a lot of pressure.

Jeff Bezos: Status check.

Mark Bezos: Yeah, the status check for each astronaut. By the time they got to Astronaut Demo, which is the name I was flying under, we were at five Gs. And so, they were like, "Astronaut Demo, how you doing?" I was like, "I'm doing okay." I had a hard time responding, but... I'm not sure what that video footage will look like. Probably not very pretty, but it was so exciting.

Jeff Bezos: By the way, if you haven't figured it out yet, Wally might be the oldest person ever in space and Oliver the youngest person every in space, my brother is the funniest person ever in space for sure.

Jeff Bezos: I want to do a couple more things before we maybe go to next questions, which is I want to recognize two people here in the audience. We are honored today to have Alan Shepard's daughters, Laura and Julie. Could you stand up just briefly, so we can say...

Jeff Bezos: And of course, Alan Shepard was an Apollo moon walker and has a gigantic list of accomplishments. But for our purposes today, the thing that is most interesting about Alan Shepard is that he is the namesake for this vehicle New Shepard. And that is because the mission profile that we did today is very similar to the one that Alan flew when he became the first American in space, I guess 60-ish years ago. So, we are very honored to have you guys here. Thank you for joining us. It's incredible. I got some pictures with them backstage and those are getting blown up big. Thank you.

Jeff Bezos: And then I have a couple things to show. Do you want to talk about the couple things we flew? Like the... Go ahead.

Mark Bezos: So, we had the opportunity to bring with us, it was actually on loan from The Explorers Club, we were able to fly with a piece of canvas from the Wright flyer. So the plane that the Wright brothers flew, we brought a piece of that canvas with us, which was really powerful. As well as a bronze medallion that was made from the first hot air balloon flight in 1783, which was the first time man every left the Earth in controlled flight. So, we were very thrilled to be able to bring both of those along with us.

Jeff Bezos: And we brought those precious objects back.

Mark Bezos: Yes, we did. And The Explorers Club will be pleased to hear that.

Jeff Bezos: Yes. They're very happy about that. And we have one more thing, which I would actually just like to show you, if you could... Who has the goggles? Could you please bring them up to me?

Jeff Bezos: Yeah, would you hold that for me?

Wally Funk: This is incredible.

Jeff Bezos: All right. Why don't you stand so I can face it to... This also flew... These are Amelia Earhart's goggles. The ones she flew across the Atlantic with, solo. And you can see she put tape over them to kind of have less light come in because it was just so bright all of the day and she was flying for so long. And they're just... I like to think that if Amelia were here she would be very, very proud of Wally.

Jeff Bezos: And I just can't... I can't resist doing this. So, thank you Amelia wherever you are. We hope you're watching all of this. Thank you. I'll give these back to you. These are precious. Precious cargo. There you go.

MC: And well, on that note, Wally-

Jeff Bezos: Oh, I'm sorry.

MC: Oh, please go ahead.

Jeff Bezos: Thank you. Lauren just reminded me, I have one more thing, which is... Christina, I might need your help on this. Mom, could you come up for a second? Where's my mom? Okay, you don't have to come up. I can come to you. I have... I wore this necklace and it is a Blue Origin feather, and I wore it up into space and now it's for you.

Jeff Bezos: I would put it on her myself, but I would need my reading glasses.

Jeff Bezos: Okay.

MC: And now, Wally. Last, but not least. Amelia Earhart, what a lovely transition. An aviation icon and now an aerospace, a space icon. What was it like?

Wally Funk: Whew! I can't tell you! I had such a good instructor. He took us through everything that we were going to do, so when I went up this morning the noise wasn't quite as bad and we went right on up, and I saw darkness. I thought I was going to see the world, but we weren't quite high enough and I felt great. I felt like I was just laying down and I was going into space. And I want to thank you sweetheart because you made it possible for me. I've been waiting a long time to finally get up there. I've done a lot of astronaut training through the world, Russia, America, and I could always beat the guys on what they were doing because I was always stronger. And I've always done everything on my own. And, I didn't do dolls. I did outside stuff. And I flew airplanes. I have 19,000 some hours. I loved it and I love being here with all of you and your family, and the four of us. We had a great time. It was wonderful.

Jeff Bezos: That's true.

Wally Funk: I want to go again, fast! And then, when I got off the ship they gave me the tail end of one of the balloons, and I'm going to cherish that forever.

Jeff Bezos: And by the way, we can confirm that Wally once again in training out performed the men on the mission, 100 percent.

MC: I was going to say, she beat the three boys up to the top of the crew access area. Everybody saw that. Three boys up to the top of the crew access. Everybody saw that. There's video footage.

Jeff Bezos: We have proof.

MC: Indeed, darling, you did. You did. Well, so, Wally Funk, now the world's oldest astronauts who have ever gone to space and perhaps the first founding member of our Blue Origin frequent flyer program.

Wally Funk: Surprise to me.

MC: It sounds like she's ready for it.

Wally Funk: When I do lectures or wherever I am around the world and the United States, I'm only 45.

MC: You're being generous. I keep saying every time somebody says, "Oh, she's 82," I think there's a typo. You're 28, Wally. We know this. Well, no. Well, thank you so much for giving us your impressions, but let's see it with our own eyes.

Oliver : Okay.

Jeff Bezos: Oh, wow.

Mark Bezos: Oh, wow.

Oliver : Oh, wow. That's incredible.

Mark Bezos: ... to space.

Wally Funk: Oh!

Astronauts Oliver Daemen, Wally Funk, and Mark Bezos inside the New Shepard crew capsule at apogee.

Jeff Bezos: Is it everything you thought it would be?

Wally Funk: Fantastic.

Jeff Bezos: Here, look. Oliver.

Mark Bezos: Move your head just a little.

Wally Funk: Oh, that's great.

Mark Bezos: Can you move your head a little, Wally, for us?

Wally Funk: Oh, yeah. Hi, Mom! I love it.

Jeff Bezos: Oh, wow, wow, wow.

Wally Funk: Look at the blackness of space and below.

Mark Bezos: Here, catch.

Oliver : Oh, yeah. Give me the ball.

Mark Bezos: Ready?

Wally Funk: Woo-hoo!

Mark Bezos: Here it comes. You just have to wait for it. Who wants a Skittle?

Oliver : Oh, yeah, yeah. Throw one.

Mark Bezos: All right. See if you can catch this in your mouth. Yeah, I love that. Well done. Here, toss me one. Good job. Here it goes. That was a mid foul.

Jeff Bezos: Here, try again.

Wally Funk: I can't get it up.

Oliver : I got you, I got you.

Mark Bezos: Oh, wow. Awesome. So good. Oh, wow.

Jeff Bezos: Oh, my God.

Mark Bezos: It's absolutely.

Jeff Bezos: This is incredible.

Wally Funk: Oh, I love it. I love it.

Mark Bezos: Oh, wow, wow, wow.

Wally Funk: Man, this is different, isn't it?

Jeff Bezos: It's a little different.

Wally Funk: I could not-

Jeff Bezos: Oh, wow. So let's take a moment to look outside.

Wally Funk: Thank you, sweetheart. You were wonderful.

Jeff Bezos: Woo!

Mark Bezos: That was a good catch.

MC: Wally ... Oh, sorry. Go ahead, Mark.

Mark Bezos: I was going to say that was a good catch.

MC: Wally, was it everything you expected and more? You've been waiting, as you said, 60 years to experience this.

Wally Funk: I loved every minute of it. I just wish it had been longer because I had been in space before, not in space, but up in that area and could do a lot more rolls and twists and so forth. But there was not quite enough room for all four of us to do all those things. It was great. I loved it. I can hardly wait to go again.

Jeff Bezos: Amen. Next next stop for you is the moon, Wally.

Wally Funk: Yes, sir.

MC: Any other impressions, now having seen the video of it? Is it one of those things where you just took it in and it's hard to compare to video? What are other sensations that come from having seen that right now? All of you.

Oliver : Felt way cooler than it looked.

MC: Well, so after, of course, their four minutes of weightlessness, the fun that you had, of course, we got you buckled back in and you descended under those beautiful three parachutes. I think we've got another video here of your descent back to our beautiful West Texas Valley. Why don't we roll that right now?

Mark Bezos: That moment felt pretty good. I'm not going to lie.

Jeff Bezos: That's true. When you see the three main shoots out, that's relaxing.

Wally Funk: That was so easy. It was just incredible.

MC: Whoa.

Wally Funk: I didn't feel that.

Jeff Bezos: Well, that's because it's dust kicked up by a cushion of air that makes you only hit at about one mile an hour. It feels like if you were to stand up, you're just going to plop. Woo!.

Oliver : Oh, it was so cool.

Wally Funk: Oh, my God. It was so great.

MC: What

Jeff Bezos: Our family was happy to see us. That's a good sign.

MC: What was that moment like coming back and seeing your friends and your family here? You have supported them ... or they have supported you, that is, your dreams to get to this point. Oliver, your father's here. Joseph, thank you so much for being here. What was that like?

Oliver : It was a bit more emotional than I would have thought. Everyone on the ground was way more emotional than we were. We were just having fun.

Mark Bezos: That is so true. Yeah. Yeah, I think that our family has been extremely supportive through all of this. I think that ... I know that my wife was an absolute rock leading up to this, which made the adventure much easier for me. But I know that when we came down, it was time to let those emotions out a little bit. So it was great to see everybody and yeah, it was a little more emotional than I had anticipated as well.

MC: Jeff?

Jeff Bezos: Yeah. I wasn't that nervous, but my family was somewhat anxious about this. It was so sweet actually to get hugged by them after landing, especially my kids and Lauren and my mom and dad, and really all of you guys. We have a bunch of close here, too, and it just makes me realize how much I love you and how much I'm loved.

MC: Wally, your friend Mary is here.

Wally Funk: Yes, I am so happy she's here. She knows what I'm going through. She has been ... She was one of my flight students and I've had many, many, over 3000 flight students. I don't know if they're going to get to see this or not, but I felt so charged. I was not nervous. I was just normal, normal person going up into space. That's what I wanted to feel. Nothing here.

Jeff Bezos: I can confirm that Wally was never nervous.

Mark Bezos: She was wondering what was taking so long.

Jeff Bezos: It's true. We had a six minute hold on the pad. Wally was like, "Are we going to go or not? What the hell? We're burning daylight. Let's go."

MC: But then, Wally, once we got you going, we got you going fast, going over Mach 3. It's this beautiful rocket behind us here, our New Shepard rocket that got the team up to space. By the way, it also of course, made its landing back on the landing pad. Why don't we take a look at that landing that we have here?

Mark Bezos: Woo! That was a bullseye.

MC: Absolutely bulls-eye. Jeff, a beautiful piece of engineering that our team here at Blue Origin has developed. Would you like to talk to us a little bit about why we chose vertical takeoff, vertical landing, being powered by this BE3 engine? because today is not the end, right? We're going further with this technology.

Jeff Bezos: No, that's a helpful question because the fact of the matter is that the architecture and the technology we have chosen is complete overkill for a suborbital tourism mission. We have chosen the vertical landing architecture. Why do we do that? Because it scales. It's an architecture that can grow to a very large size. So we want to have experience with architectures that can grow big to New Glenn and one day to New Armstrong. So to have the idea that you want to build big from the beginning, lets you choose an architecture, because the whole point of doing this is to get practice.

Jeff Bezos: Other kinds of architectures don't scale in the same way to very large size. Vertical landing does. In fact, you can think about it very easily because if you try to ... When you are landing a rocket vertically, you are solving, what's called the inverted pendulum problem and you are balancing a broomstick on the tip of your finger. You can balance a broomstick on the tip of your finger. You know what you can not balance on the tip of your finger? A pencil.

Jeff Bezos: So basically the smaller the object, the harder it is to balance. As the object gets bigger and bigger and bigger, it gets easier and easier and easier to balance. It's a very simple because this has more momentum. So it's easier to get under it. So that architecture scales. That's why we chose it.

Jeff Bezos: Then the second thing that is a very puzzling architecture choice for most people who know a lot about rockets, you would never choose liquid hydrogen for a suborbital tourism mission. It's completely unnecessary. It's the most powerful, highest performing rocket fuel in the world. There are two reasons we chose it. The first is again, practice. We shows that propellant because what you see behind me is basically the second stage of New Glenn.

Jeff Bezos: So every time we fly this tourism mission, we're practicing flying the second stage of New Glenn. That's where you really do want hydrogen, on the second stage of a vehicle that is designed not only to go into low earth orbit, but to bodies outside of low earth orbit.

Jeff Bezos: Then the other reason we chose it is because it is the most environmentally benign propellant you can choose. When you burn hydrogen and oxygen, you get $H_2O$. $H_2O$ is water. So that is another thing. For a tourism mission, that was really important to us as well. So that's why we chose this architecture you see behind me and the engineering team did an incredible job. They also really built two vehicles. What you see is not really a vehicle because I can assure you, the escape system was at least as complicated, hard to design and to test and demonstrate as the main booster itself. So it's almost like building a whole separate vehicle. I'm also extremely happy we didn't test it today.

MC: Thank you so much. Again, congratulations to you all. With that, I'm going to turn it over to Linda Mills, Head of Communications here at Blue Origin to start the press conference. Thank you very much.

Jeff Bezos: Woo!

Linda Mills: Let's give another round of applause to our amazing newly-minted astronauts. All right. I would like to give a thank you to our journalists who showed up at 2:30 this morning to get set up.

Jeff Bezos: Thank you.

Linda Mills: I know it's been a long day for all of you, so thank you.

Jeff Bezos: I can't believe you guys are still smiling. Thank you.

Mark Bezos: Thank you.

Linda Mills: So we'll be able to take a few questions and then we'll just pose for a few photos. So, Rachel, why don't you start? Rachel with CNN.

Rachel: Yeah, Rachel Crane with CNN. Congratulations, you guys, on your astronaut wings.

Jeff Bezos: Thank you, Rachel.

Rachel: Jeff, you have said in the past that the work you're doing with Blue Origin is the most important of your career. You've recently stepped down as CEO of Amazon. Can we expect for you to be more hands-on with Blue Origin? Is this going to be your new focus?

Jeff Bezos: Yes. So I'm going to split my time between Blue Origin and the Bezos Earth Fund. So the Bezos Earth Fund is about climate change and sustainability. That is those two things. There's going to be a third thing and maybe a fourth thing, but I don't know what those are yet. I'm not very good at doing one thing.

Rachel: Are you going to be flying again soon?

Jeff Bezos: Hell, yes. How fast can you refuel that thing? Let's go.

Linda Mills: All right, next question.

Linda Mills: About the cadence and the capabilities.

Jeff Bezos: Okay. We're going to fly the human missions twice more this year, and what we do in the following year, I'm not sure yet. We'll figure that out and what the cadence will eventually be. We want the cadence to be very high. One thing we've found out through the auction process and what we've been doing is private sales. We're approaching a hundred million dollars in private sales already, and the demand is very, very high. So we're going to keep after that because we really do want to practice with this vehicle. So we're going to have to build more boosters to fly more frequently. We're going to be doing that and working on all the operational things we need to do, all the things we learned.

Jeff Bezos: What practice does is lets you get better. We want to be able ... Right now we have a mission life, we think, somewhere between 25 and 100 flights for one of these vehicles. We'd like to make that closer to 100 than to 25. Then once it's close to 100, we will push it past 100. That's how you get operational usability. You have to remember, big things start small. I told this crew when we got in today and we were sitting there on the pad waiting to lift off. We had time to ourselves and I just said, "Guys, if you're willing, if you let me invite you, when we get up there, there's going to be all kinds of adrenaline, all kinds of excitement and novelty, but take a minute, take a few seconds to look out and calmly think about what we're doing is not only adventure. It is adventure and it is fun, but it's also important because what we're doing is the first step of something big."

Jeff Bezos: I know what that feels like. I did it three decades ago, almost three decades ago, with Amazon. Big things start small. But you can tell, you can tell when you're onto something and this is important. We're going to build a road to space so that our kids and their kids can build the future. We need to do that. We need to do that to solve the problems here on earth. This is not about escaping Earth. Every time I read an article about people wanting to escape Earth, no, no, no, no, no. The whole point is this is the only good planet in this solar system.

Jeff Bezos: We've sent robotic probes to all of them. This is the only good one. I promise you and we have to take care of it. If you go into space and see how fragile

We have chosen the vertical landing architecture. Because it scales. It's an architecture that can grow to a very large size. So we want to have experience with architectures that can grow big to New Glenn and one day to New Armstrong. So to have the idea that you want to build big from the beginning, lets you choose an architecture, because the whole point of doing this is to get practice.

it is, you'll want to take care of it even more. That's what this is about. We have to take, and this is going to take decades. This is a big vision, but big things start small and this is how it starts. We are going to build an infrastructure.

Jeff Bezos: Just like when I started Amazon, I didn't have to build the Postal Service or Royal Mail or Deutsche Post. There were already gigantic worldwide infrastructure to deliver packages. That infrastructure today is, for space, just way too expensive, and it doesn't work. But if we can practice with the suborbital tourism mission and continue and build bigger and bigger vehicles, timelines on new Armstrong and so on, I can't really give because we don't know. But what I can tell you is we're going to keep working at those things, step-by-step ferociously. I want to emphasize the ferociously.

Linda Mills: All right. We have time for one last question. Tom Costello with NBC.

Tom Costello: Tom Costello with NBC News. Congratulations to all of you. Jeff, to follow up on that question and your discussion there, how do you make this more reasonable for everyday people who would like to fly? It's pretty steep right now. How do you bring the cost down so that this can be more accessible for everybody?

Jeff Bezos: It's a great question. How do you bring the costs down over time so it's more accessible to everyone? You've got to do it the same way we did it with commercial airline travel. We're really almost in the barnstormer phase, right? So these are biplanes and they're flying into a farmer's field and charging a small price to fly people around for a few minutes in the air. That's what we're doing right now. But you know where that barnstorming phase leads? To 787s. And that's what we have to do.

Linda Mills: All right. Let's give it a hand. I'm afraid that's all the time we have for questions today. These astronauts have had a very long day, so let's give another round of applause for our astronauts. And then, Jeff, you have one more thing.

Jeff Bezos: Yeah, guys, I have one more thing. I have a little surprise for you. I am announcing today a new philanthropic initiative. And if you could put the slide up so people can see it. It is called the Courage and Civility Award. It recognizes leaders who aim high and who pursue solutions with courage and who always do so with civility. Well, let me tell you how I feel about this. I feel strongly enough I actually wrote something down. We live in a world where sometimes instead of disagreeing with someone's ideas, we question their character or their motives. And guess what? After you do that, it's pretty damn hard to work with that person.

Jeff Bezos: And really what we should always be doing is questioning ideas, not the person. Ad hominem attacks have been around a long time, but they don't work. And they've been amplified by social media. We need unifiers and not vilifiers. We want people who argue hard and act hard for what they truly believe, but they do that always with civility and never ad hominem attacks. And unfortunately, we live in a world where this is too often not the case. But we do have role models. And this award, do you have another slide here? Go ahead. I didn't tell you what the award was yet. I thought there was a slide for that.

Jeff Bezos: Here's what the award is. You see who the first recipient is, but let me tell you what the award is. The Courage and Civility Award is a USD 100 million award so that the awardee, the recipient, can give USD 100 million to the charities, the nonprofits of their choice. And these are people who have demonstrated courage. By the way, it's easy to be courageous but also mean. Try being courageous and civil. Try being courageous and a unifier. That's harder. And way better. And it makes the world better. So we have two awardees today. They'll each be getting USD 100 million to direct to the charities of their choice as they see fit. No bureaucracy, no committees. They just do what they want. They can give it all to their own charity or they can share the wealth. It's up to them. And the first Courage and Civility award goes to Van Jones. Van, come on up.

Van Jones: Thank you, brother. Sometimes dreams come true. Sometimes dreams come true. And the headlines around the world should be anything's possible if you believe. And Lauren and Jeff don't do nothing small, man. They don't do anything small. They just don't do it. They dream big, they love big and they bet big. And you bet on me and I appreciate it. And I'm going to tell you, the only thing I worried about when you say courage, I haven't always been courageous. But I know the people who are, and they get up every day on the front lines, grassroots communities, they don't have much, but they're good people and they fight hard and they don't have enough support.

Van Jones: Can you imagine grassroots folks from Appalachia, from the hood, Native American reservations, having enough money to be able to connect with the geniuses that have disrupted the space industry, disrupted taxis and hotels and bookstores to start disrupting poverty, to start disrupting pollution, to start disrupting the USD 90 billion prison industry together. If you take people on the front lines and their wisdom and their genius and their creativity, and you give them a shot, they're not just going to turn around neighborhoods, they're going to turn around this nation. That's what's going to happen. And I appreciate you for lifting the ceiling off of people's dreams.

Van Jones: You have lifted the ceilings off of the dreams of humanity today. And that's an important thing. Don't be mad about it. When you see somebody reaching for the heavens, be glad. There's a lot more heaven up there to reach for. And we can do that together. And the last thing I'll say is this; if this small group of people can make miracles happen in outer space, a bigger group of people can make miracles happen down here. And we're going to do it. Thank you very much.

Jeff Bezos: Thank you.

Van Jones: Love you, brother.

Jeff Bezos: Hey guys, can you roll a little video we put together about Van Jones. Can you roll that little video please? Short video.

Speaker 2: Van has been a part of much change. He has birthed a number of different grassroots community organizations. He also helped us bring together climate justice and racial justice, and what that meant in particular for low income communities of color.

Van Jones: You can't live in a country where you just have sacrifice zones, whether we're talking about South Central or Appalachia or The Rust Belt. And no political party stands up for them effectively.

Speaker 3: He was always so ahead of the curve that a lot of people didn't understand him. So that was always hard to watch because I know his love for people and for justice. It doesn't matter to him what people say. He continues to do the work that needs to be done.

Speaker 4: I think about what he's done within the criminal justice system, what he's done with making bipartisanship real, not just what think tanks are doing, not researching the idea, not exploring in history how bipartisanship worked. He's been rolling up his sleeves, he's been doing the work in real life.

Jeff Bezos: And I know that Van Jones is going to do something amazing with that USD 100 million. I don't know what yet. I bet he doesn't know what yet. But it's in your hands, Van Jones. However you're going to do it, it's going to work. We had lunch together a couple weeks ago and he was just telling me some of his life story. And he mentioned that when he was a young activist he was angry, there's a big transformation that happened over the years. He said that the acronym that he used was RAP, for reward and punishment. And if the mayor or whoever it was that they were going up against did something they liked, they rewarded him. And if they did something they didn't like, they punished him.

Jeff Bezos: And he said, "Honestly, Jeff, I wasn't very good at the reward part. I really focused on the punishment part." And then he changed. Really, the transformation when you hear his story is unbelievable and profound and inspiring. And I think about this for myself, every night when you go to sleep, you get the chance to wake up better tomorrow. Now we have another awardee. Let's roll that video.

Anderson Cooper: Jose Andres calls himself a pilgrim from Spain. A chef who arrived here 20 years ago with just 50 bucks in his pocket. But these days it's hard to call him anything less than an amazing American success story.

Jose Andres: I know you.

Hillary Clinton: His love of his fellow men and women, his love of eating, which he shares with all of us. He is bigger than life. A force of nature and a real gift.

Stephen Colbert: Michelin star chef who has won James Beard Awards for both outstanding chef and humanitarian of the year.

Speaker 5: Jose Andres is turning several of his DC and New York City restaurants into community kitchens.

Judy Woodruff: He has helped feed those in disaster areas in the US and around the world.

Trevor Noah: Every time I meet you, it's because there's a disaster somewhere in the world. And like a superhero of food, you've stepped in to help feed people.

Speaker 6: He wants to bring people together and he uses food to do that.

Speaker 7: Someone who's extremely generous

Jeff Bezos and Mark Bezos inside the New Shepard crew capsule.

and gives so much to people in need without asking anything.

Jeff Bezos: Jose, please come on up. And he makes a hell of a paella too, I'll tell you.

Jose Andres: I'm so honored. Really grateful for this award and the incredible support from you, Jeff, and the entire Bezos family. World Central Kitchen was born from the simple idea that food has the power to create a better world. A plate of food is a plate of hope. It's the fastest way to rebuild life and communities. And this award itself can not feed the world on its own. But this is a start of a new chapter for us. It's allows us to think beyond the next hurricane to the bigger challenges we face. People of the world, now is the time to think really big to solve hunger with the first urgency of now. The only thing we want to do is revolutionize disaster and hunger relief. People don't want our pity. People want our respect. It's the least we can do is be next to them when things get tough.

Jose Andres: We want to double food aid around the world, and we want to change the way 3 billion people, mainly women, cook their food today from dirty cookstoves to clean cookstoves. We think globally, but we feed locally. And the pandemic drove tens of millions into hunger and starvation last year, this year. The climate crisis is driving millions more across borders. We can and we must respond together, governments, business, nonprofits, every single citizen. Out of empathy, for sure, but also to keep our world safe, stable, and sustainable. We will be there with our boots on the ground when disaster strikes. But we will also shoot for the stars, Jeff, fighting hunger and the causes of hunger. Because whether you are on the ground or on the top of the world, it's obvious that we the people, we are one people, one planet sharing our daily bread together. I always say that I believe in longer tables, not higher walls. So Jeff, let's go and let's feed the world. Thank you. Thank you.

Jeff Bezos: Long tables and not higher walls. That's incredible, Jose. And I don't know what you're going to do yet, but I know whatever it is you'll figure something amazing out to do. I know you will. And you're just an inspiration. A huge inspiration. Thank you.

Linda Mills: All right. Well, thank you all for joining us. This wraps our press conference. I'm going to let Oliver lead our astronauts out. And thank you all.

Jeff Bezos: Thank you guys. We know it's not easy to get here. We know you put a lot of work into coming to this launch and supporting us. And I hope you had some fun and I hope that it was inspiring for you as well. But no matter what, thank you for coming. Very much appreciated. Thank you. BT

# Virgin Galactic Successfully Completes First Fully Crewed Spaceflight

## Fourth Spaceflight Tests Private Astronaut and Research Experience. First In-Flight Livestream Brings Spaceflight Experience to Audiences Around the World.

Unity 22 Mission Specialists with Virgin Galactic CEO, Michael Colglazier.

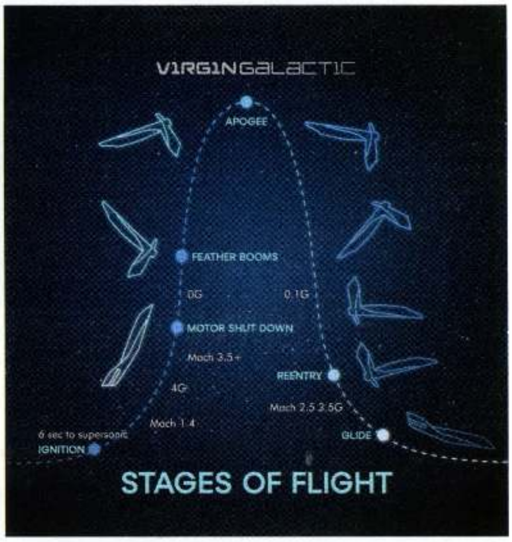
LAS CRUCES, N.M. July 11, 2021 – Virgin Galactic Holdings, Inc. (NYSE: SPCE) ("the Company" or "Virgin Galactic") announced that VSS Unity successfully reached space, completing the Company's fourth rocket-powered spaceflight.

Today's flight was the 22nd test flight of VSS Unity and the first test flight with a full crew in the cabin, including the Company's founder, Sir Richard Branson. The crew fulfilled a number of test objectives related to the cabin and customer experience, including evaluating the commercial customer cabin, the views of Earth from space, the conditions for conducting research and the effectiveness of the five-day pre-flight training program at Spaceport America.

Michael Colglazier, Chief Executive Officer of Virgin Galactic, said: "Today is a landmark achievement for the Company and a historic moment for the new commercial space industry. With each successful mission we are paving the way for the next generation of astronauts. I want to thank our talented team, including our pilots and crew, whose dedication and commitment made today possible. They are helping open the door for greater access to space – so it can be for the many and not just for the few."

With each successful mission we are paving the way for the next generation of astronauts.


Unity22 crew on their way to space with Colin Bennett, Lead Operations Engineer and Sir Richard Branson, Founder Virgin Galactic.




Virgin Galactic Flight Profile Infographic.

Richard Branson in space.

Unity22 crew. (L–R): Dave Mackay, Chief Pilot, Colin Bennett, Lead Operations Engineer, Beth Moses, Chief Astronaut Instructor, Richard Branson, Founder Virgin Galactic, Sirisha Bandla, Vice President of Government Affairs and Research Operations and Michael Masucci, Pilot.

View from Space on Virgin Galactic's First Spaceflight.

VSS Unity achieved a speed of Mach 3 after being released from the mothership, VMS Eve. The vehicle reached space, at an altitude of 53.5 miles, before gliding smoothly to a runway landing at Spaceport America.

This seminal moment for Virgin Galactic and Sir Richard Branson was witnessed by audiences around the world. It gave a glimpse of the journey Virgin Galactic's Future Astronauts can expect when the Company launches commercial service following the completion of its test flight program. A recording of the livestream can be accessed on Virgin Galactic's YouTube channel.

Sir Richard Branson said: "I have dreamt about this moment since I was a child, but nothing could have prepared me for the view of Earth from space. We are at the vanguard of a new space age. As Virgin's founder, I was honoured to test the incredible customer experience as part of this remarkable crew of mission specialists and now astronauts. I can't wait to share this experience with aspiring astronauts around the world."

Branson continued, "Our mission is to make space more accessible to all. In that spirit, and with today's successful flight of VSS Unity, I'm thrilled to announce a partnership with Omaze and Space for Humanity to inspire the next generation of dreamers. For so long, we have looked back in wonder at the space pioneers of yesterday. Now, I want the astronauts of tomorrow to look forward and make their own dreams come true."

The mission specialists in the cabin were Beth Moses, Chief Astronaut Instructor; Colin Bennett, Lead Flight Operations Engineer; Sirisha Bandla, Vice President of Government Affairs and Research Operations; and the Company's founder, Sir Richard Branson. The VSS Unity pilots were Dave Mackay and Michael Masucci, while Kelly Latimer and CJ Sturckow piloted VMS Eve. BT

## 'DFCC Garusaru Vishrama Pranama'


In recognition of the government pensioners who have devoted their lives to the service of the community, DFCC Bank planned a virtual event for all of Sri Lanka's government pensioners. Titled 'DFCC Garusaru Vishrama Pranama', this online event allowed all government pensioners to join in from the comfort of their own home, owing to the current Covid-19 situation in the country.

Throughout the virtual event, DFCC Bank curated a list of innovative sessions targeted towards the benefit of pensioners. The proceedings included essential and relevant health tips doled out to pensioners by a specialist doctor, a comedy act by famous comedians, a presentation on the DFCC Garusaru Personal Loan scheme, and an interactive quiz that gave participants the chance to win exciting prizes, and more.

DFCC Garusaru Loan, a tailor-made personal loan solution specifically for government pensioners. This loan scheme offers loans of up to three million rupees with a repayment period of ten years. Customers who utilize this product from DFCC Bank will be able to enjoy the lowest interest rates, backed by an efficient and hassle-free service experience.

As a part of its Garusaru product portfolio, DFCC Bank also offers a Garusaru Senior Citizens Savings Account, which can be opened with an initial deposit of 1,000 rupees. In addition to that, account holders will be able to avail vouchers and discounts from various institutions, including health care facilitators, while enjoying a higher interest for savings.

DFCC Bank was ranked amongst Business Today's Top 30 Corporates in Sri Lanka.

## HNB Revamps Digital Banking App

HNB enhanced its leadership in tech-enabled banking, as its revamped Digital Banking App surpassed ten billion rupees in average monthly transactions, setting a new industry standard.

Since its relaunch in December 2020, the app has experienced a steady increase in transactions month on month. It is currently one of the highest-rated Sri Lankan digital banking apps on the Google Play store. To date, it has over 130,000 downloads with an active user retention margin of 70 to 75 percent.

"Banking in the palm of your hand is here to stay, and HNB is proud to be leading the market towards greater trust and acceptance of these services. Our redevelopment process was completely structured around experiences that go beyond user expectations. We consulted customers, carefully logged all feedback, and incorporated it back into the final UI and UX. The results of these redesigns speak for themselves through the voice of our customers," Sanjay Wijemanne, Deputy General Manager – Retail and SME Banking, HNB, said.

Among the top five apps in the Finance category in the Google Play and Apple App stores, HNB's Digital Banking app has a star rating of 4.7 and 4.6, respectively. Designed by the bank's in-house team of developers, each feature is exclusively tailor-made to the bank's requirements.

With constant updates featuring new additions, services, facilities, and overall UX/UI improvements, the HNB Digital Banking app offers customers complete control of their banking experience. For example, new users can conveniently sign up with a simple three-step verification process by first providing their account number and NIC number, then their mobile number for two-factor authentication, followed by card details.

The simple process ensured that only two percent of the 130,000+ registered users contacted the bank for support during the onboarding process.

Similarly, a unique feature offered by the HNB Digital Banking app is the "Peek Balance" option, where customers need not go through the whole log-in process to get an instant and up-to-date account balance.

The app also has no restrictions for transaction history. This means customers can scroll down to their very first transaction made without a hassle. In addition, the app allows customers to add "Favourites" and "Schedule" payments, further simplifying the overall user experience. The app also will enable customers to control their banking experience additionally, with the option to set their accounts as "Hidden" or "View Only" and customize their transaction limits.

Notably, HNB credit cardholders have access to transaction history, settle dues and pay utilities. In addition, all general banking services, including managing current accounts, savings accounts, loans, and even fixed deposits, are also offered to customers–with more options to be included in upcoming updates through the app.

Biometrics and face recognition technology to authenticate access for a secure digital app, HNB also uses the "Device Binding" process to offer a convenient and safe log-in process. For example, suppose a customer logs into their account from another device. In that case, a two-factor authentication (Risk-based authentication) process will follow, requiring the customer to input a "One-Time-Password", that is sent to the mobile number the account is registered with.

HNB customers can also use the Cash to a Mobile facility through the app to transfer funds to any individual to withdraw funds from an HNB ATM.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## HNB Ranked Among Top 1,000 World Banks 2021 Once Again

Jonathan Alles, Managing Director/ CEO, HNB.

HNB achieved another critical milestone in its transformation journey after securing its ranking in the UK-based-The Banker Magazine's Top 1,000 World Banks for the fifth year in a row.

"Over the past year, global and local economic networks have been challenged with unprecedented intensity. In an environment of crisis and constrained economic activity, the impetus for strategic responses that support customers while leveraging technology to deliver banking products and services in new, innovative, and – above all – efficient – ways has grown even greater. We are proud to state that HNB demonstrated leadership in each area while being resilient under extremely challenging conditions. This sustainable performance, financial strength, and stability helped us earn our place among the Top 1,000 world banks for the fifth consecutive year. This achievement stands as further validation of our team's unwavering commitment to excellence," Jonathan Alles, Managing Director/ CEO, HNB, said.

Notwithstanding the challenging macro conditions, the bank continued to progress on its ambitious transformation journey. HNB's pivot to digitally-enabled products and services continued to gather momentum, as the bank provided customers with convenient, comprehensive, and secure options to transact remotely.

HNB experienced unprecedented growth, especially in the digital payment sector, as Sri Lankans switched to digital banking channels.

Notably, during the past year, the bank also supported the Central Bank of Sri Lanka (CBSL) to promote the 'Rata Purama LANKA QR' campaign across various locations to raise awareness and encourage the public towards cashless payments.

Having already linked LANKA QR to its digital payment app HNB SOLO, the bank was among other financial institutions and telecommunication partners in joining efforts to make cashless QR-code-based payments the standard for mobile phones and digital payments country-wide, in moving towards a cashless and digitally-savvy Sri Lanka.

Being a true partner in progress, HNB adopted a proactive approach in providing essential support to its network of retail, corporate and Small and Medium Enterprise (SME) clients negatively impacted by the COVID pandemic through moratoriums and working capital finance. Moreover, to finance a grassroots revival of the Sri Lankan economy, the bank launched a COVID relief fund to provide working capital loans at a concessionary interest rate directly to the bank's substantial portfolio of SME customers. The bank also provided grants to 200 micro-entrepreneurs to revive their businesses.

## People's Bank Completes CSR Initiative to Commemorate 60th Anniversary

Left: the new building at Rekeula Primary School. Right: Nipunika Wijeyaratne, DGM, Transaction Banking, People's Bank, and other officials present at the occasion.

People's Bank continued commemoration of its 60th anniversary by providing a new building as well as enhancing other facilities at the Rekeula Primary School in Polpithagama.

The new building and the other facility improvements within the Rekeula Primary School were completed with the full support of the Divisional Staff at the cost of two million rupees.

The need for this initiative was identified as a critical requirement since the school lacked proper facilities and students were attending classes in huts. The new building provides a unique opportunity for teachers and students alike by creating a pleasant environment with better facilities conducive to learning.

Gracing this occasion were Nipunika Wijeyaratne, DGM, Transaction Banking, People's Bank, A S MV Kumarasiri, Assistant General Manager (Trade Finance), People's Bank, K Subasinghe, Chief Manager, International Banking Division, People's Bank, Indira Kuruppu, Branch Manager, Polpithigama Branch, People's Bank, W M Aruna Shantha, Zonal Director of Education, Mahawa Zonal, Provincial Department of Education, Lakshman Hapuarachchi, Assistant Director of Education, Mahawa Zonal, HM Seniviratne, the Principal of Rekeula Primary School, school staff as well as students.

## Sri Lanka Banks' Association Launches New Dynamic Website


*Lakshman Silva, Chairman, SLBA addressing online at the inauguration of the website launch.*

The Sri Lanka Banks' Association (SLBA) has launched its revamped, dynamic website. The site was launched through an on-screen link at a virtual event by the Chief Guest Professor W D Lakshman, Governor of the Central Bank of Sri Lanka.

Chief Guest Professor W D Lakshman Governor of the Central Bank of Sri Lanka commented, "The Central Bank of Sri Lanka recognizes the contribution and thought leadership provided by SLBA representing the collective effort of the banking industry to preserve the resilience and stability of the sector, while spearheading innovation such as sustainable finance initiatives to take the Sri Lankan banking and financial sector to greater heights. We appreciate the efforts of SLBA in promoting consultation within the banking industry and maintaining a continuous dialogue with the Central Bank and other stakeholders. In this regard, the website launching today will mark an important milestone for SLBA and the banking sector. I wish the banking sector will innovate to facilitate economic revival and sustainable domestic development actively. Among needed innovations, from the point of view of promoting domestic economic/business activities, a rethinking of the current collateral-based lending culture of the banks and looking for alternative businesses – growth-friendly project-based lending practices are highly needed. SLBA I hope will take a leadership role in this process of innovation."

The overarching goal of the Sri Lanka Banks' Association is to help banks work for the good of the people by supporting industry participants and regulators in maintaining the overall stability of the monetary and financial system, ensuring economic security.

The newly launched website will be a catalyst for accelerating such efforts by enhancing the SLBA's ability to disseminate information and drive multi-stakeholder discussion on topics of importance.

Lakshman Silva, Chairman, said, "We are both proud and delighted to launch the new website. The latest site showcases the importance of modernization and digitization to ensure better communication and engagement amongst the banking industry and all its stakeholders. This initiative will facilitate a seamless information sharing process to those even outside the sphere of banking – including the general public and other interested parties. With digitization playing a significant role in adapting to a post-Covid 'new norm', SLBA is pleased to contribute to the digital transformation of stakeholder engagement and the sharing of information across the banking sector's various aspects and operational areas. Digitalization and banking now go hand in hand, and this way forward is pivotal for the baking industry to face the multifaceted challenges we are posed within this new normal."

## ComBank Declared 'Best Bank in Sri Lanka' by Euromoney

COMMERCIAL BANK

The Commercial Bank of Ceylon has been conferred the coveted title of 'Best Bank in Sri Lanka' for the seventh time by Euromoney, one of the world's leading financial markets magazines, at its Asia Awards for Excellence 2021.

The Euromoney accolade is based on detailed submissions from market participants and extensive year-round research into the banking and capital markets in the region by the magazine's editors, journalists, and research team.

According to Euromoney, the Asia Awards are seen as the benchmark for the leading firms in financial services in the region and are fiercely contested across numerous markets and categories. This year Euromoney received almost 1,000 submissions from banks for its regional and country awards program covering more than 50 regional awards and best bank awards in close to 100 countries.

"This is an award that any bank would be proud to have in its collection," S Renganathan, Managing Director, Commercial Bank, commented. "Winning seven, and especially one based on performance in a year dominated by the global pandemic is a fitting tribute to the strength and mettle of the Bank. It is particularly noteworthy considering the substantial concessions and interest rate cuts we provided to help customers weather the impacts of lockdowns in 2020, as well as the higher impairment provisions we had to make in response to the conditions that prevailed."

Among the aspects considered for the awards are qualitative and quantitative criteria such as market position, the volume of business transacted, new product development, management system, credit ratings, efficiency ratios, and annual key performance indicators. Factors contributing to Commercial Bank being adjudged the Best Bank in Sri Lanka are key indicators from the Bank's 2020 performance. This included Market Capitalization, Gross Income, Profit before Tax, Profit after Tax, Total Assets, Total Deposits, Gross Loans, Market Share of Deposits, Market Share Loans, and CASA Ratio.

Commercial Bank of Ceylon is the largest private sector commercial bank and the third-largest bank overall in the country in terms of total assets, which stood at 1.736 trillion rupees (USD 9.285 billion) as of the end of 2020. It is the only private sector bank that the Central Bank of Sri Lanka has designated as a higher-tier Domestic Systemically Important Bank (D-SIB). The Bank accounted for approximately 10.7 percent, 11.2 percent, and 11.8 percent of sector loans and advances, deposits, and assets, respectively in 2020.

# Remarks by President Biden At Signing of An Executive Order Promoting Competition in the American Economy

Photo www.tbsnews.net

President Joe Biden signing the Executive Order. July 09, 2021.

THE PRESIDENT: Hello, everyone. They have a Cabinet meeting. (Laughter.) Please — please be seated. Thank you.

Well, it is not "good morning," which my remarks say here, but — (laughter) — good afternoon. We're in the midst of a historic economic recovery. And because our successful vaccination program strategy has been working and the immediate relief through the American Rescue Plan has brought back our economy from the worst economic crisis in nearly a century, America is now on track. We're now on track for the highest economic growth in 40 years and among the highest growth records on record.

We designed our economic strategy to be durable through the ups and downs that come with recovery. And there are ups and downs.

That's why the American Rescue Plan was designed to help people not just all at once, but over the course of a full year so we could continue supporting families, small businesses, state and local budgets to help them weather those ups and downs.

And now that the economy is back on track, we're making progress on the second phase of our strategy: ensuring long-term growth.

That's what my Build Back Better agenda, including my Americans Family Plan and the bipartisan infrastructure agreement we reached last month — that's what they're all about: long term.

But to keep our country moving, we have to take another step as well — and I know you're all tired of hearing me during the campaign and since I'm elected President talk about it — and that's bringing fair competition back to the economy.

That's why today I'm going to be signing shortly an executive order promoting competition to lower prices — to increase wages, and to take another critical step toward an economy that works for everybody.

The heart of American capitalism is a simple idea: open and fair competition — that means that if your companies want to win your business, they have to go out and they have to up their game; better prices and services; new ideas and products.

That competition keeps the economy moving and keeps it growing. Fair competition is why capitalism has been the world's greatest force for prosperity and growth.

By the same token, "competitive economy" means companies must do all they do to do — everything they do to compete for workers: offering higher wages, more flexible hours, better benefits.

But what we've seen over the past few decades is less competition and more concentration that holds our economy back. We see it in big agriculture, in big tech, in big pharma. The list goes on.

Rather than competing for consumers, they are consuming their competitors. Rather than competing for workers, they're finding ways to gain the upper hand on labor. And too often, the government has actually made it harder for new companies to break in and compete.

Look at what that means for family budgets. Take prescription drugs: Just a handful of companies control the market for many vital medicines, giving them leverage over everyone else to charge whatever they want. As a result, Americans pay two and a half times more for prescription drugs than in any other leading country. And nearly one in four Americans struggles to afford their medication.

Another example: hearing aids. Right now, if you need a hearing aid, you can't just walk into a pharmacy and pick one up over the counter. You have to get it from a doctor or a specialist. Not only does that make getting hearing aids inconvenient, it makes them considerably more expensive, and it makes it harder for new companies to compete, innovate, and sell hearing aids at lower prices.

As a result, a pair — a pair of hearing aids can cost thousands of dollars. That's a big reason why just one in seven Americans with hearing loss actually use a hearing aid.

Another example: Internet services. There are more than 65 million Americans who live in a place with only one high-speed Internet provider. Research shows, when you have unlimited Internet operation, you pay up to five times more on average than families in places with more choices. That's what a lack of competition does: it raises the prices you pay.

And it's not just consumers getting hurt. Big Agriculture is putting a squeeze on farmers. Small and family farms, first-time farmers — like veterans coming home and Black and Latino and Indigenous farmers — they're seeing price hikes for seed, lopsided contracts, shrinking profits, and growing debt.

Lack of competition hurts workers as well. In many communities, there are only a handful of employers left competing for workers. Think of company towns across Appalachia and other parts of the country where one big corporation runs the show.

When corporations have that kind of leverage over workers, it pushes down advertised wages by up to 17 percent. And as competition decreases, businesses don't feel the pressure to innovate or invest in their workforce. That hurts working families and it hurts our economy.

All told, between rising prices and lowering wages, lack of competition costs the median American household $5,000 a year.

Now, look, I'm a proud capitalist. I spent most of my career representing the corporate state of Delaware. I know America can't succeed unless American business succeeds.

But let me be very clear: Capitalism without competition isn't capitalism; it's exploitation. Without healthy competition, big players can change and charge whatever they want and treat you however they want. And for too many Americans, that means accepting a bad deal for things that can't go — you can't go without.

So, we know we've got a problem — a major problem. But we also have an incredible opportunity. We can bring back more competition to more of the country, helping entrepreneurs and small businesses

**My executive order includes 72 specific actions. I expect the federal agencies — and they know this — to help restore competition so that we have lower prices, higher wages, more money, more options, and more convenience for the American people.**

Competition works. We know it works. We've seen it works when it exists. Fair competition is was what made America the wealthiest, most innovative nation in history.

get in the game, helping workers get a better deal, helping families save money every month. The good news is: We've done it before.

In the early 1900s, President Teddy Roosevelt saw an economy dominated by giants like Standard Oil and JP Morgan's railroads. He took them on, and he won. And he gave the little guy a fighting chance.

Decades later, during the Great Depression, his cousin Franklin Roosevelt saw a wave of corporate mergers that wiped out scores of small businesses, crushing competition and innovation. So he ramped up antitrust enforcement eightfold in just two years, saving families billions in today's dollars and helping to set the course for sustained economic growth after World War Two.

He also called for an economic bill of rights, including, quote, "the right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies." End of quote.

Between them, the two Roosevelts established an American tradition — an antitrust tradition. It is how we ensure that our economy isn't about people working for capitalism; it's about capitalism working for people.

But, over time, we've lost the fundamental American idea that true capitalism depends on fair and open competition. Forty years ago, we chose the wrong path, in my view, following the misguided philosophy of people like Robert Bork, and pulled back on enforcing laws to promote competition.

We're now 40 years into the experiment of letting giant corporations accumulate more and more power. And where - what have we gotten from it? Less growth, weakened investment, fewer small businesses. Too many Americans who feel left behind. Too many people who are poorer than their parents.

I believe the experiment failed. We have to get back to an economy that grows from the bottom up and the middle out.

The executive order I'm soon going to be signing commits the federal government to full and aggressive enforcement of our antitrust laws. No more tolerance for abusive actions by monopolies. No more bad mergers that lead to mass layoffs, higher prices, fewer options for workers and consumers alike.

My executive order includes 72 specific actions. I expect the federal agencies — and they know this — to help restore competition so that we have lower prices, higher wages, more money, more options, and more convenience for the American people.

Today, I want to focus on three specific actions:

First, the FDA — the Food and Drug Administration — are going to work with states and Tribes to safely import prescription drugs from Canada. That's just one of many actions in the executive order that will lower prescription drug prices.

Second, the FDA is going to issue rules so that hearing aids can be sold over the counter. That's something the last administration was supposed to have done but didn't do. We're going to get it done. After these rules go into effect, a pair of hearing aids can cost hundreds of dollars, not thousands. And you'll be able to pick them up at your local drugstore.

Third, we're going to improve competition for workers. I've talked a lot about non-compete agreements — contracts that say you can't take another job in your field, even if you get a better deal. I made a speech — I was just reminiscing with my staff — back in 2018, at the Brookings Institution, where I talked about the non-compete clauses that were just — I found — to be absolutely ridiculous, but how prevalent they were throughout industries.

At least one in three businesses require their workers to sign a non-compete agreement. These aren't just high-paid executives or scientists who hold secret formulas for Coca-Cola so Pepsi can't get their hands on it.

A recent study found one in five workers without a college education is subject to non-compete agreements. They're construction workers, hotel workers, disproportionately women and women of color.

Think of the 26-year-old employee at a company. She's a star worker, but she isn't being treated right. She's underpaid, passed over for promotions. A competitor across the street knows and wants to bring her in at a higher wage, but she can't do it. Her company threatens legal action over a non-compete clause she had to sign in order to get hired in the first place. She can't afford a lawyer for help, so she's locked in.

Imagine if you're in her shoes. You'd feel powerless, disrespected, bullied, trapped. That's not right. Workers should be free to take a better job if someone offers it.

If your employer wants to keep you, he or she should have to make it worth your while to stay. That's the kind of competition that leads to better wages and greater dignity of work.

Look, I'm not going to go into it now, but I used to talk about, you know, there's non-compete clauses of people running the machines that lay down asphalt. If, in fact, you get offered a job and you have a — you know, you're in Arkansas doing it, a lot of — a specific example is you can't take a job in west Texas to do it. What in the hell does that have to do with anything? (Laughter.) No, I'm serious. Or there were clauses in McDonald's contracts: You can't leave Burger King to go to McDonald's. Come on. Is there a trade secret about what's inside that patty? (Laughter.) No, but I'm serious.

You all — I don't know if you do know; I didn't know it until five years ago — the incredible number of non-compete clauses for ordinary people who — it was done for one reason: to keep wages low. Period.

Look, my executive order calls on the FTC to ban or limit non-compete agreements. Let workers chose who they want to work for.

I'm also calling on the FTC to do away with certain occupational licensing requirements. You realize, if you want to braid hair and you move from one state to another, sometimes you have to do a six-month apprenticeship, even though you've been in the business for a long, long time? What the hell — what's that all about?

Military families, for example, they're often on the move between states with each new assignment. So you have a woman in the military, her husband is following her, or vice versa. Guess what? If you have — if you're a plumber, you have to get a different license when you move from Delaware to Missouri.

Look, it can't be a significant burden to get a new license in a new home state. That burden can't be around anymore. It takes time and it takes money. It takes a toll on a family's income while you're waiting. We should remove that barrier, providing more mobility, more opportunity, higher wages for families on the move.

This is something that my wife, Jill, has worked on together with Michelle Obama through the Joining Forces initiative for the military.

We're going to keep that moving. We're going to get it done in an executive order.

Let me close with this: Competition works. We know it works. We've seen it works when it exists. Fair competition is was what made America the wealthiest, most innovative nation in history. That's why people come here to invent things and start new businesses.

In the competition against China and other nations of the 21st century, let's show that American democracy and the American people can truly outcompete anyone. Because I know that just given half a chance, the American people will never, ever, ever let their country down. Imagine if we give everyone a full and fair chance. That's what this is all about. That's what I'm about to do.

So I'd like to invite the Cabinet members up here. I'd like to — and the Attorney General is here — Attorney General Garland. Xavier — Mr. Secretary, you can come up too. I've been watching on television; you've been really good. (Laughter.) Gina Raimondo. Also, Pete Buttigieg. And the chair of the FCC [FTC], Lian [sic] — excuse me, Lina Khan, Acting Chair of the FTC. And Director of the National Economic Council.

Am I leaving anybody out? Anyway, come on up. This may be the first Cabinet meeting we've had.

Okay. "Promoting Competition in the American Economy."

First pen. (Laughter.) Second pen. Third. Fourth. (Laughter.) Fifth.

I'm wondering how Barack did this with a shorter name. (Laughter.)

(The executive order is signed.)

Thank you. Thank you, everyone. (Applause.)

Q Mr. President, how did President Putin respond to your call today, sir?

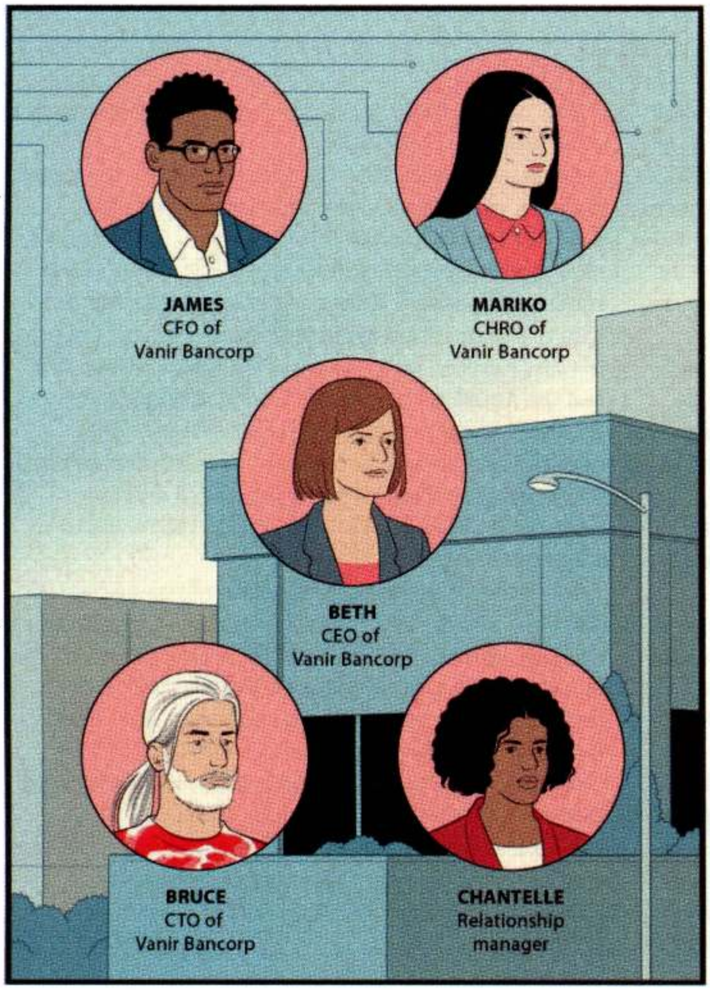
THE PRESIDENT: Well, I made it very clear to him that — that the United States expects, when a ransomware operation is coming from his soil, even though it's not — not sponsored by the state, we expect them to act if we give them enough information to act on who that is.

And, secondly, that we have set up a means of communications now, on a regular basis, to be able to communicate to one another when each of us thinks something is happening in another country that affects the home country.

And so, it went well. I'm optimistic.

Q You said, three weeks ago, there would be consequences. Will there be, sir?

THE PRESIDENT: Yes. BT





# Case Study: Will a Bank's New Technology Help or Hurt Morale?

Leonard A. Schlesinger



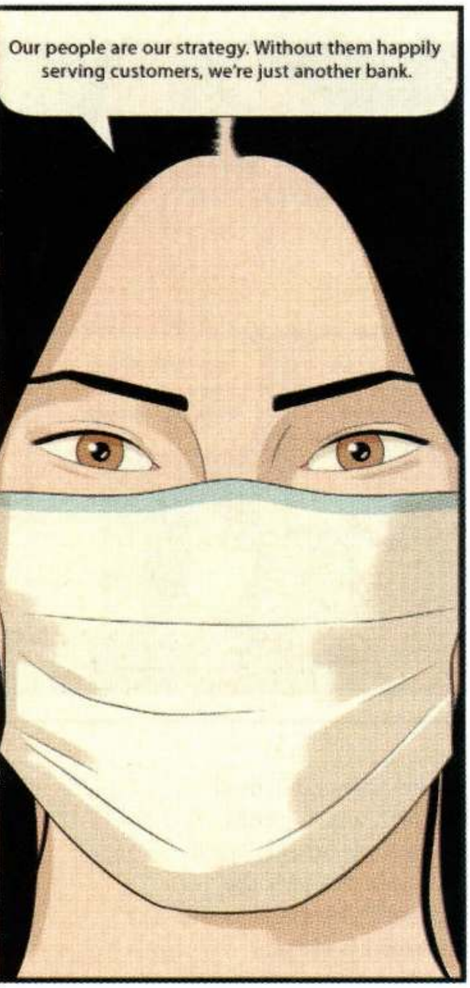
*A CEO WEIGHS THE GROWTH BENEFITS OF AI AGAINST THE DOWNSIDES OF IMPERSONAL DECISION MAKING.*

"If we grow too fast, we'll break from the strain."

"If we stop growing, we'll be eaten for lunch by our competitors."

Beth Daniels, the CEO of Michigan's Vanir Bancorp, sat silent as her chief human resources officer and chief financial officer traded jabs. The trio had founded their community bank three years earlier with the mission of serving small-business owners, particularly those on the lower end of the credit spectrum. After getting a start-up off the ground in a mature, heavily regulated industry, they were a tight-knit, battle-tested team. But the current meeting was turning into a civil war.

James Donnold, the CFO, had just presented an update on Vanir's aggressive goals: expanding to 15 branches, with loans and deposits increasing threefold in five years. Having already grown to five branches and $180 million in assets, the bank was right on track. But, James warned, competitors were circling, and Vanir needed to stay on the offensive. It couldn't let bigger banks lure away the previously underserved customers that it had brought into the financial system or let new "fintech" start-ups with digital-only banking services disintermediate its business.




Luckily, James noted, the company's long-awaited new enterprise IT was nearly ready to go live, and it promised to greatly reduce the staff's workload—by, for example, using AI to automate tasks like calculating pricing and credit lines for customers.

That prediction prompted Mariko Wang, the CHRO, to let out an audible scoff. She felt that aggressive growth had already stretched Vanir too thin and that believing IT would lighten the burden on employees was optimistic. "When was the last time a new technology created less work for anyone?" she asked sarcastically.[1]

But then her tone turned serious, and she delivered her familiar—compelling—spiel: Working with new or underserved banking customers was extremely arduous. Vanir's branches were open early and late to accommodate customers' schedules. To make banking less intimidating, tellers and relationship managers were told to take as long as needed to answer people's questions. They were trained to be unbiased, whereas some AI tools in the industry had come under criticism for discriminating against minority applicants. And that human touch was what drove growth; loan applicants often had such a great experience at Vanir that they transferred their other accounts to the bank, opened new ones, or recommended it to other small-business owners.

Vanir's associates enjoyed above-market salaries but also worked harder than their peers at other banks. Considered "essential workers," they'd even come in to the office during the worst months of the pandemic, managing all the loans that customers had applied for through the U.S. government's economic relief package. But now employee engagement was down, absenteeism was up, and customers were starting to notice.[2] Net Promoter Scores had fallen, and comments in customer surveys included complaints like "hassled-looking teller" and "unhelpful manager."

"Our people are our strategy," Mariko said, locking eyes with Beth. "Without them happily serving customers, we're just another bank."

**Experience**

## OFF TO SEE THE WIZARD

Leaving the meeting, Beth felt torn. She'd started Vanir to help hardworking customers who'd been neglected by large banks and poorly served by mismanaged community-development institutions. Her father had been a general contractor, and it infuriated her that the developers he worked for seemed to have unlimited access to debt while he struggled to secure a new loan to upgrade his tools and equipment. She suspected that most of the bigger players were interested in her customers only because they needed a certain number of small-business accounts to meet regulatory mandates and keep their banking charters; after luring small clients away with introductory promotions, the large banks would give them the same shoddy service that had held her father back. Meanwhile, the fintech start-ups were low touch and untested; they could leave their clients high and dry.[3]

It hurt Beth's soul to imagine that possibility, so she shared James's fervor for quickly expanding to serve as many people as possible with the help of technology. The goal was to build a loan underwriting system that would apply proprietary algorithms to create a single score that signaled whether a loan should be approved and what the credit line and the interest rate should be. That

*Case Study Classroom Notes*

*1. Is this an effective meeting? How can Beth allow dissent while keeping discourse civil?*

*2. Academics who study service organizations have found a strong link between employee satisfaction and customer loyalty.*

*3. One way to make small business customers more profitable is to force them to use self-service rather than customer service reps.*


*4. Cost overruns are not unusual with enterprise IT projects. A study by McKinsey found that on average, large IT projects run 45% over budget.*

*5. Some economists wonder if productivity gains have slowed in developed economies because new technologies make workers more distracted, increase task switching, and create more cybersecurity challenges.*

promised to free up staff to focus on the face-to-face service that Vanir had become known for.

But building the enterprise IT had taken longer and cost more than anticipated.[4] Meanwhile, associates had become accustomed to doing the calculations and decision-making themselves, and an inefficient process had become routine. The staff also enjoyed the autonomy the process provided: Lending officers were encouraged to get to know their applicants and to combine objective criteria, such as credit scores, with subjective ones, such as personal character. Still, the strain on the employees was starting to show, and Beth took Mariko's warnings about burnout seriously.

Would a shift to the new system help or hurt Vanir's staff? Certain elements of the transition would require lots of busywork. For instance, along with the lending algorithms, the IT team had built a customer relationship management system that would allow a review of customer profitability across multiple products. Information on that now was stored in loan officers' heads and hard drives, and getting it into the system would be laborious. As Vanir opened more branches, it would need to hire more associates, who would have to be trained (on, among other things, the new technology) by its existing staffers, further burdening them. Beth hoped that the new system's birth pains would be short-lived and quickly lead to greater efficiency and lighter workloads. But she also worried that in the long term, Vanir's earliest employees would miss the algorithm-free autonomy they'd become accustomed to.

Beth knew she needed to talk to "the wizard," her white-haired, tie-dyed-T-shirt-wearing chief technology officer, Bruce Richards. "What's the update?" she asked as she entered his office.

"Do you want the good news or the bad news?" he replied, chuckling. Beth frowned and crossed her arms.

"OK," Bruce continued. "The good news is that the entire stack is ready to go. We can roll out tomorrow."

"And the bad news?" Beth asked.

"The bad news is that the pilot we ran in the Lansing branch uncovered some, well, resistance."

"Go on."

"The staff hated it," Bruce said. "The feedback was that no one had time to learn a complicated new system. Some people refused to attend the training. Others brought their laptops to class and worked the entire time."

"Oh," Beth said.


"This isn't unexpected!" Bruce interjected. "Learning a new system takes time and can be frustrating. You can expect a period of negative labor productivity before we see any gains, but that doesn't mean the gains won't come.[5]

What matters is that we're finally ready to launch. We can pull the trigger next week if you give us the go-ahead."

"No," Beth replied. "Hold off for now. We might have to delay. I need to think this through."

## SOME FRANK FEEDBACK

Beth checked her watch as she collected her coat from her office—8:30 PM. So much for bankers' hours. As she headed out of the branch where the executive team worked, she saw relationship manager Chantelle Williams, one of her first hires, at her desk, turning over pages in a file. Beth knew that Chantelle had two sons who'd been homeschooling through most of the pandemic.

On Chantelle's desk was one photo of her kids and another of her first Vanir client—a bakery owner who'd had trouble obtaining a loan at other banks because of his prior issues with credit card debt. Following company protocol, Chantelle had looked more closely at his situation and realized that the debt had coincided with his wife's illness four years earlier. Since that time his credit history had been spotless. Vanir had given him a loan, and in return he not only made his monthly payments on time but accompanied them with deliveries of his delicious cannoli. "I don't stay late for you," Chantelle had once told Beth after she'd thanked the manager for her long hours. "I stay late to earn school tuition for them"—she nodded to the picture of her sons—"and," she added, shifting her gaze to the photo of the baker, "to make sure people like him can stay in business."[6]

"How are you holding up, Chantelle?" Beth asked.

"I'm living the dream, boss!" Chantelle joked, gesturing to the open file on her desk.

"No, really. How's morale?"

"Well," Chantelle said, "a lot of people are struggling. You combine the long hours with challenges on the home front, and it's tough."

"I know," Beth said. "But I just spoke to Bruce Richards, and he said the tech solution is almost ready. Help is on the way."

Chantelle sighed.

"What is it?" Beth asked. "Are you worried about the transition? There will be some work up front, but I assure you that—"

"That's not what I'm worried about," Chantelle interrupted.

"Well, then, what?"

"Look, what makes this bank special is that we are run by people, not by formulas. We can

*6. Showing employees their positive impact on customers increases their motivation. A 2007 study found that when call center agents soliciting donations for college scholarships met students their work supported, their productivity skyrocketed.*

*7. How can Vanir ensure that its algorithms are free of racial or minority group bias?*

**Experience**

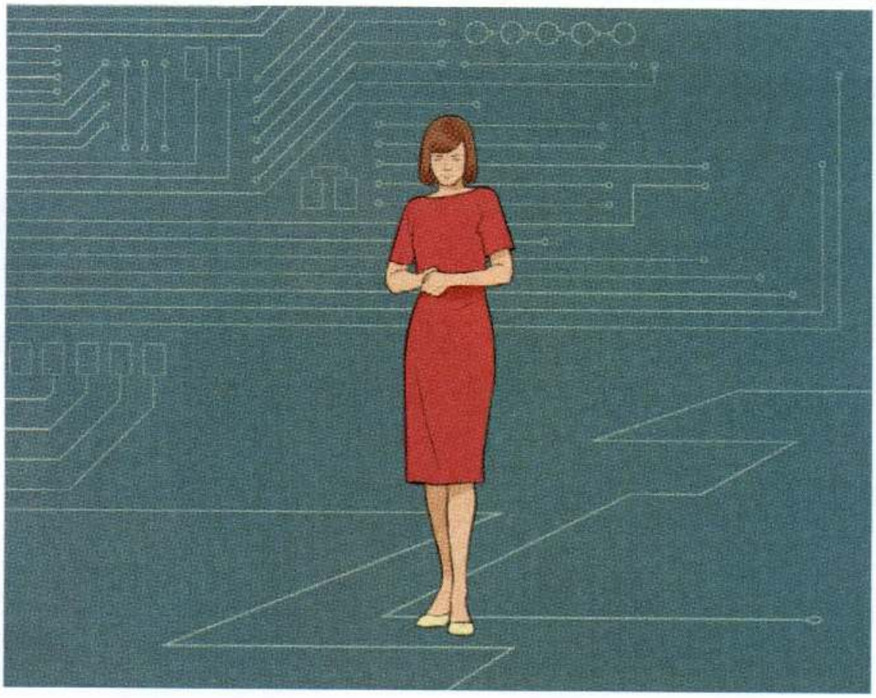
make a human connection with our customers. I just don't think an algorithm can replace that. Truthfully, I'm worried that we're going to end up double-checking the algorithm all the time or, worse, that it will end up hurting our customers."

"Absolutely not," Beth said. "I wouldn't let that happen."

"You know how you call Bruce 'the wizard'?" Chantelle continued. "Well, have you actually looked behind the curtain? Are you sure this technology won't just end up discriminating against the very customers we strive to serve?"[7]

After thanking Chantelle for her candor, Beth wished her a good night and headed for the exit. She knew she faced the biggest decision of her tenure as CEO. Should she rethink the implementation of Vanir's new IT system, knowing full well that her employees were stretched thin but that a delay might allow competitors to pounce on Vanir's current and future customer base? Or should she risk her employees' trust and dedication by pushing past their concerns, sticking to her tech-enabled strategy, and forging ahead? She opened the door and stepped out into the cold Detroit night.

**LEONARD A. SCHLESINGER** *is the Baker Foundation Professor at Harvard Business School, where he serves as the chair of the school's practice-based faculty.*



## Should Beth go ahead with the bank's expansion plans and IT rollout? The experts respond.

BOB RIVERS Is The Chair And Ceo Of Eastern Bank.

### The bank's key differentiator is at risk. Beth should hit pause on the expansion.

The clincher for me is that Vanir's Net Promoter Scores are falling. Superior customer service is the foundation of the bank's value proposition and the source of its competitive advantage. Beth should delay the enterprise IT rollout for at least a year.

The CFO is worried that this will provide an opening for fintech and large bank competitors. I don't agree. Big banks are built for efficiency, so they typically do very little hand-holding for small-business customers and transfer much of the paperwork to them through self-service. The fintech approach is even more extreme—a customer might never interact with another human. And Vanir's technology isn't what's most important, because it's not what its clients are buying. What they want is great personal service and advice, and small-business owners in particular will stay loyal to a bank that provides it. That's why Vanir must address the uptick in customer complaints before anything else.

How do you bring NPS numbers back up? Ultimately, Beth can take care of her customers by taking care of her staff. She's already paying above-market salaries, but that goes only so far. Even the most dedicated employees may decide that well-paying jobs aren't worth it if they're being overworked and can't see a light at the end of the tunnel.

So far the bank's strategy of "character lending" and considering qualitative measures of creditworthiness has been successful. But many banks have taken a similar approach and failed, because human judgment isn't always reliable, and as a rule of thumb banks need more than 95% of their loans to be repaid to stay solvent. Beth seems to have found loan officers who can exercise their own judgment to make good loans. But I wonder how sustainable and scalable that is. We recently acquired a bank that made loans in a similar fashion—what senior executives described as "working in the comfortable shades of gray." That bank did this well, but it took more than 15 years for it to grow to $1 billion in assets. Vanir's growth plan is far more aggressive than that—so its risk profile concerns me. I also question whether its goals are even realistic. The algorithm-enhanced IT system might be a welcome addition to the process, but it should be implemented thoughtfully and carefully when employees are ready, not in a rush right now.

Although Vanir's CTO will be frustrated by a decision to halt the rollout, Beth can emphasize that she's not killing it, just delaying it until employees are less stretched and the NPS figures come back up. Yes, IT-enabled scale will eventually offer advantages to Vanir and help make it more sustainably profitable. But the bank can't relinquish what makes it competitive today.

Beth should move forward with the IT rollout and business expansion. A fledgling bank can't risk being outflanked by its competitors. She's understandably worried about the new algorithms and the stress that implementation will cause employees, but I think she can assuage their concerns with a more measured, inclusive approach and better messaging that emphasizes the system's augmented—rather than artificial—intelligence.

CHRIS YEG is a cofounder of Blitzscaling Ventures and the Blitzscaling Academy.

## Beth should move forward with the IT rollout and business expansion.

Vanir is at a pivotal moment. When a company starts out, its employees all know exactly what's going on because they're literally in the room when decisions are made. But this bank now has five branches and probably dozens of employees. Beth needs to change her management and communication strategy to handle the increased complexity.

First, there doesn't seem to be any consensus on the desirability of the new tech or who's in charge of rolling it out. James, the CFO, is an advocate but isn't involved, while Mariko, the CHRO, is against it but is probably overseeing the training for it. Bruce, the CTO, seems to have designed the system without adequately involving the loan officers and relationship managers who will use it. These are flashing red lights. When a project is this far along, the team should be on the same page about it, and each person's role should be clear and explicit.

The frontline workers who will use the system should have been consulted throughout, providing feedback to refine the product. Chantelle should not be worried that it will harm her connection with customers or be discriminatory.

Although competitive pressures call for Beth to implement the system, she needs to do so thoughtfully. She should characterize the launch as a beta release, slowly introducing the system in two branches and having employees work with the technology team to test and improve it. She should reassure staffers that it's meant to be a tool to make them better at their jobs, not to replace them or change the culture of the company.

At the same time, she needs to lift morale by being both a comforter and a commander in chief. It will take sincere public expressions of empathy and compassion—to the entire workforce and individual employees—to address the extreme toll taken by the pandemic. But Beth must rally the troops around the growth plans, too, because people also want to feel they're part of a winning team. She must explain that Vanir is currently in a sprint to ensure that it delivers on its promise of high-touch, technology-enhanced personal service even during the most trying of times.

The dynamic on her executive team also needs work. Her cofounders should not be sniping at each other. Disagreement is healthy; conflict isn't. Given the trio's history together, I suspect that the strain of operating during a pandemic is getting to them too. Beth should be up-front about addressing this with her executive team.

As Beth works to calm the current crisis and roll out the new tech, she must also undertake the harder and more important work of changing how she leads. I recommend that she start writing a weekly email to the entire staff or launch a private internal podcast with other team members so that people can get to know their coworkers, raise concerns, and perhaps most important, share stories that inspire them to keep going.

## Global Brands UK Recognizes DFCC Bank

Lakshman Silva, Director/CEO, DFCC Bank.


The accolades won by DFCC Bank.

DFCC Bank was awarded as the "Most Trusted Retail Banking Brand" and "Best Customer Service Banking Brand in Sri Lanka" by the Global Brands Magazine, the UK for the year 2021 under the category of "Banking and Finance". These accolades highlight the Bank's continuous efforts to create inclusive value for all stakeholders while building and securing a resilient Sri Lanka. Further, they mark a significant milestone for the Bank, as it is the first time DFCC Bank has been awarded these accolades after its merger in 2015.

The Global Brands awards acknowledge key players who strive for excellence and provide a platform for their recognition. The award also aims to identify and create awareness about the significance of exceptional service delivery and reward their performance with the ultimate global Recognition.

Lakshman Silva, CEO stated, "These awards are a testament to the continuous efforts DFCC Bank takes to provide the best customer service while creating an unmatchable top-of-the-line customer experience that has now been recognized on a global level. Using innovative, inclusive, applicable processes and systems to serve the nation as a customer-centric, digitally enabled bank has always been of paramount importance to us. Our success in doing so has been showcased through these accolades. Being celebrated as the most trusted and excellent customer service drives us to constantly better ourselves and continue to be at the summit of banking and finance for the years to come. It is an integral part of our promise to create sustainable value as the premier commercial Bank in Sri Lanka".

Staying true to its core values and goals, DFCC Bank takes pride in its ability to achieve service excellence at a level noticeable on an international scale, such as the Global Brands Magazine Awards. These awards highlight the Bank's sustainable value creation during these testing times, putting customer's livelihoods at the center of their strategy, on their path to create and secure a sustainable future for the generations to come.

DFCC Bank was ranked amongst Business Today's Top 30 Corporates in Sri Lanka.

## HNB Digital Merchant Acquisition Surges


Resistance to cashless transactions has rapidly given way to enthusiastic usage as an unprecedented number of Sri Lankans are switching to digital banking channels, according to Gauthami Niranjan, Head of Cards, HNB. Compared with 2020, the volume of transactions on digital channels grew by 158 percent Year-on-Year in 2021, while the value of digital transactions increased by a corresponding 153 percent YoY.

"HNB had already captured the lion's share of the market in digital merchant acquisition before the pandemic. We leveraged these experiences to ensure that even businesses, which were initially unsure of digital payments, could seamlessly adapt and integrate these technologies into their total business model. The results of these efforts are compelling as reflected in the massive uptake in digital payment options- both from customers and businesses," Niranjan said.

HNB IPG (Internet Payment Gateway) recorded growth of over 100 percent in merchants during the period, with businesses embracing HNB's secure payment channel and services for online payments from any debit, credit VISA, and MasterCard. Merchants improved their cashless payment options with HNB MOMO for cash-on-delivery services. As a result, the mobile solution for electronic payment cards holds a 50 percent market share in low-cost mobile POS terminals in Sri Lanka. Such a rapid proliferation of digital payments creates a compelling financial incentive for any enterprise particularly as an affinity for cashless transactions expands out of major urban centers and into all parts of the country.

"Developments in cashless payments are still only emerging. However, technologies like tokenization – technology at the heart of ride-hailing and food delivery apps – are likely to expand in the coming months as more local businesses launch dedicated apps with payment features built-in. This is another area in which we have supported some of the successful tech-based enterprises in Sri Lanka by enabling card details to be securely linked to convenient payment portals. These dynamics will ultimately provide valuable and much-needed benefits for a broad spectrum of Sri Lankan enterprise - from small businesses and self-employed individuals to hospitality providers, large and small and promote a broader and more resilient and equitable economic recovery. However, the barrier for entry into a digital transaction has never been lower, and our goal is to make sure that all Sri Lankan enterprises can compete in this new paradigm," Niranjan concluded.

## Sampath Bank Delivers Customizable Total Cash Management Solutions

**Sampath Bank**
WE PRESENT YOUR FUTURE

Sampath Bank reiterated its commitment to supporting businesses around the island by integrating its extensive suite of corporate cash management services under one umbrella to offer greater convenience to its customers. Working together with its business customers to identify their unique requirements, the Bank seeks to develop tailor-made solutions that bring together relevant elements of its cash management portfolio to serve them better. Cash and Cheque Collection, Cheque Printing and Distribution, Investment Portfolio Management, Business Debit Cards, data validation, reconciliation services, integration to customer ERPs and sweeping and pooling of funds are some of the facilities offered under the total Cash Management Solution.

Sampath Bank's business customers can avail themselves of these services individually or request a combination of services and have them personalized to cater to the specific needs of their business. Being developed in-house by the Bank's highly skilled IT team, the customized solutions can easily be adapted to suit businesses of all sizes and integrated into existing systems.

Sampath Bank's extensive physical footprint will complement these world-class digital solutions, including 229 branches, including 13 Super Branches, 445 ATMs, and 465 cash deposit kiosks.

This move aims to help the Bank's business customers around the island. It allows to manage cash flow more efficiently, reduce processing costs, save time and mitigate risk, thereby allowing business owners and managers to concentrate their efforts and resources on building core competencies and grow their businesses.

"As a technology-driven financial services provider, we at Sampath Bank have always strived to deliver innovative solutions that deliver greater value to our customers. We have always worked closely with our business customers around the island, leveraging the power of technology and our strong financial fundamentals and island-wide footprint to support them at every stage of their journey. Bringing our suite of corporate cash management services under one umbrella, we seek to roll out customizable solutions that align with each business's individual needs. We expect these tailor-made solutions to transform how businesses of all sizes manage their cash to bring about greater business success," said Halin Hettigoda, Head of Deposit Mobilization, Sampath Bank.

## Sampath Bank Recognized at World Finance Banking Awards


*The two awards won by Sampath Bank for the eighth consecutive year at the World Finance Banking Awards.*

Sampath Bank received recognition as Sri Lanka's 'Best Retail Bank' and 'Best Commercial Bank' for the eighth consecutive year at the World Finance Banking Awards organized by the World Finance magazine based in the UK.

Flying the Sri Lankan flag high at this global forum where the Bank has been receiving both these awards every year since 2014, Sampath Bank is the only bank from the country to be recognized here this year too.

The World Finance Banking Award is one of the most respected accolades in the banking and financial services sector globally. The renowned World Finance magazine has been celebrating achievement, innovation, and brilliance since 2007 through these annual awards recognize banks' excellence across several criteria.

"It is our honor and privilege to be rated amongst the best banking and financial service providers in the world, and emerge as the 'Best Retail Bank' and 'Best Commercial Bank' in Sri Lanka for the eighth consecutive year at the World Finance Banking Awards," said Nanda Fernando, Managing Director, Sampath Bank. "We could not have achieved this without the trust and support of our customers, investors, and business partners and the ingenuity and commitment of our team members. Awards such as this give us added impetus to recommit ourselves to delivering greater value to our customers and all other stakeholders, as we continue to present their future."

This recognition, one of the innumerable awards and accolades bestowed on Sampath Bank, comes when Sri Lanka and the world at large are reeling under the impact of a global health and economic crisis. The Bank has continued to rise steadily on corporate leaderboards, earning several distinctions for both its financial strength and performance as well as the love, respect, and trust it has gained from its customers and the industry.

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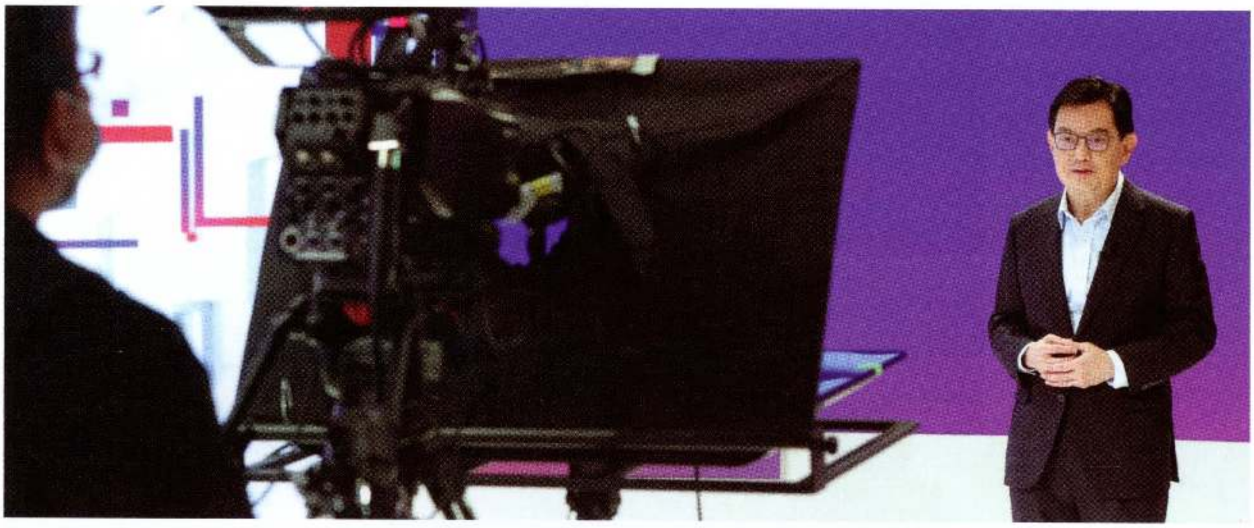
# Heng Swee Keat at the Asia Tech X Singapore Summit 2021

## Keynote Address by Deputy Prime Minister and Coordinating Minister for Economic Policies Heng Swee Keat at the Asia Tech X Singapore Summit 2021 on July 13, 2021.



Heng Swee Keat

Distinguished guests,

Ladies and gentlemen, A very good morning.

This inaugural Summit takes place at a critical juncture, as we seek to recover from the global fallout of the COVID-19 pandemic.

The virus has taken the world by storm, in a manner that none of us could have imagined. four million lives have been lost. Countless livelihoods have been disrupted.

The pandemic sent the global economy into a tailspin, and the world is seeking to recover from its worst recession in a century.

Some are wondering if 2020 marked the end of a long period of globalisation as we know it.

Globalisation has powered the world through several decades of growth and prosperity. But even before the pandemic struck, support for globalisation was on the wane.

The benefits of globalisation have been unevenly distributed, both within and across societies.

The pandemic put these challenges into much sharper relief.

What then will be the engine that will power the world out of this global recession, into a new era of growth and prosperity?

I believe a big part of the answer lies with the digital revolution.

The digital revolution was well underway, even before COVID-19. But the pandemic has turbocharged the pace of digital change.

Online transactions and e-payments shot up during the pandemic, in Singapore and the region.

According to a McKinsey survey, companies around the world have accelerated digitisation by three to four years.

With the Internet of Things, semiconductor chips have spread from computers and smart phones, to cars and home appliances.

Just as globalisation drove decades of economic growth around the world, I believe the fast-growing digital economy can propel us to a better future.

In Asia, and Southeast Asia in particular, the potential for digital is tremendous. Southeast Asia's digital economy is projected to grow three-fold by 2025, expanding to over US$300billion.

Investment in technology remains strong, despite the headwinds.

Consumer demand is growing rapidly, boosted by an expanding middle class and a fast-growing internet population.

This Summit is timely in bringing together governments and industry players from over 30 countries, to "redefine technology for a better future". I also warmly welcome a few distinguished guests who are joining this Summit physically from Singapore, including Estonian President Kersti Kaljulaid, and Indonesian Coordinating Minister for Economic Affairs Airlangga Hartarto.

Digital technology has redefined the way we work, live and play. In turn, COVID-19 has accelerated the adoption of technology beyond the wildest dream of many CTOs.

But the question before us is how we can collectively redefine digital technology in a way that will lead to a better future?

**Unlocking the Full Potential of Digital**

Many of the possibilities offered by the digital revolution – and there are plenty – can be within reach, if each of us pursue them with our best effort. We can safely leave these pursuits to the grit, resourcefulness and ingenuity of companies and entrepreneurs.

But unlocking the full potential of digital goes beyond our individual efforts. Some possibilities can only be realised through collective action. What are some of these areas?

Let me highlight three. Secure, Seamless and User-Centric Data Flows The first area of collective action is in how we can enable secure and seamless digital transactions, as more individuals and companies go online.

Many of us are now used to going online for our needs and making e payments.

Increasingly, we are looking at more complex digital transactions – involving pulling information from multiple sources and interfacing with multiple parties.

Each company, government and institution often has its own system. In fact, most operate multiple systems.

Enabling the secure and seamless flow of data in a manner that is user-centric would be key to unlocking the full potential of digital.

In Singapore, we started in the area of finance. People often bank with different institutions, trade on different platforms, and purchase products from different insurers.

When we need to consolidate our finances, this is often onerous. So the Monetary Authority of Singapore and financial institutions based here came together to work on a solution.

At the end of last year, I launched the Singapore Financial Data Exchange or SGFinDex. This is the world's first public digital infrastructure that allows a person to sign in using his national digital identity.

The user can provide consent to obtain his financial information from different financial institutions and agencies.

Data from each source is encrypted and transmitted through the Exchange without being stored.

Individuals can view their consolidated financial information much more seamlessly, and potentially be offered customised services based on individual needs.

Since then, more than 120,000 people have made use of SGFinDex.

Today, I am pleased to launch our second exchange – the Singapore Trade Data Exchange or SGTraDex.

The launch of SGTraDex is most timely, as we see a reconfiguration of global trade flows and supply chains.

The movement of goods is often marked by significant inefficiencies. Logistic players face frequent congestion at depots and warehouses.

They are not able to fully plan due to limited visibility of where the cargo is in the supply chain.

Shippers must complete multiple forms – for customs declaration, trade financing and insurance. Often, most of the information fields required are similar.

**Globalisation has powered the world through several decades of growth and prosperity. But even before the pandemic struck, support for globalisation was on the wane.**

> Singapore has established Digital Economy Agreements with Australia, Chile and New Zealand. Discussions with South Korea and the United Kingdom are currently underway.

Buyers are also not able to accurately track their orders, creating uncertainty on their end. When we started a new series of public-private partnerships called the Alliances for Action last year, we convened one Alliance on Supply Chain Digitalisation.

The Alliance brought together stakeholders in the supply chain eco-system – including our port operator PSA International, and commodities trader Trafigura.

Their efforts led to SGTraDex – a common data infrastructure for the supply chain eco-system.

This is a breakthrough which allows stakeholders to easily 'plug and play' to exchange data in a secure environment.

Our goal is to on-board stakeholders along the supply chain, especially smaller firms, so that they can be part of this digital backbone.

Once on board, firms can exchange information with other parties through SGTraDex. The data will be encrypted and transmitted without being stored.

With SGTraDex, previously unavailable or difficult to obtain data – such as real time cargo location – can be easily attained. This will enable logistic players and shippers to optimise cargo handling and operations.

From the pilots so far, SGTraDex has the potential to unlock more than US$150 million of value annually for the supply chain ecosystem.

SGTraDex will also enable new value-added services for supply chain participants and speed up the processing of customs clearance, trade financing, insurance and other related activities.

Beyond SGFinDex and SGTraDex, such an approach to trusted data sharing can potentially be applied to other areas and in other jurisdictions.

What is critical is that all industry players work together – setting aside differences and even collaborating with competitors – to establish common infrastructure and standards.

As we transform our economies to keep pace with digital change, I hope more business leaders will step forward to be part of these exchanges, or to set up new ones for their industries.

**Digitally Connected World**

I have spoken on how we are seeking to realise the potential of secure and seamless digital transactions in Singapore.

But in a much more inter-connected world, the potential is even greater across borders.

Since global rules for the trading of goods were established after the Second World War, the global economy has grown at an unprecedented scale.

As digital trade drives economic recovery and the next wave of global growth, we will need greater collaboration to harmonise standards and enable the trusted flow of data across borders.

Without global rules for the digital economy, geographical boundaries could easily become barriers for what could be a virtually unlimited digital world.

Developing such a set of global rules will not be easy, as we need to build consensus across all countries. But we can take small steps to help form this global consensus.

On the global stage, Japan, Australia and Singapore are co-convenors for the WTO Joint Statement Initiative on E-Commerce. With 86 WTO members on board, representing 90% of global trade, this initiative aims to create global baseline rules on the trade-related aspect of E-commerce.

In Southeast Asia, we are implementing the ASEAN Agreement on E-Commerce, and developed frameworks for digital integration and data management.

The action areas include enabling e-payments and facilitating digital transactions across borders, as well as promoting good data governance practices.

In addition, the ASEAN "single window" has taken effect from end-2019. This enables the easy exchange of electronic trade documents for the movement of goods within Southeast Asia.

There is also a need to develop new approaches for emerging aspects of the cross-border digital economy, such as the application of digital identities in cross-border transactions. To this end, Singapore has established Digital Economy Agreements with Australia, Chile and New Zealand. Discussions with South Korea and the United Kingdom are currently underway.

Through these building blocks that I have mentioned, we hope to work with all countries towards developing a common set of global rules for the digital economy. This will enable businesses to harness the potential of the digital economy across the world, unlimited by borders.

**Investing Today For a Better Tomorrow**

The third area that I would like to highlight is the importance of investing for the future.

The digital revolution that we are experiencing today, is powered by the technologies that we had patiently invested in over the decades.

AI for example, has been in development since the 1980s. A major milestone came in 1997, when Deep Blue became the first chess-playing computer to defeat a reigning world champion.

But it was not until the last five to ten years that we began to truly harness the potential of AI.

So even as we leverage on AI, IOT and 5G to power today's digital revolution, we must continue to invest patient capital for new gamechangers in the next bound of growth. During a global recession, it is understandable that investments for the long term would come under pressure.

But we should resist these pressures, as sustained investment in science and technology is critical to supporting innovation.

For example, Singapore has continued to stay the course on our investments in research and development.

Over the next five years, we will be investing US$19billion in research, innovation and enterprise, which includes a strong focus on digital technology.

We are building deeper capabilities in areas such as quantum and blockchain technologies. Another critical area is in digital communications. 5G networks are being rolled out and are expected to cover one-third of the world's population by 2025. We will need to look ahead at the next bound.

I am pleased to announce that Singapore will be launching a US$50million Future Communications Research & Development Programme.

The Programme will support AI and cybersecurity research for next-generation communications infrastructures, support testbeds for innovative pilots, and provide scholarships for those seeking to pursue research in communications.

The research objectives the Programme seeks to address are significant, but the resources we can commit as a small nation are modest.

Just like the COVID-19 virus, science knows no boundaries.

While each of us can pursue research excellence individually, our efforts are greatly multiplied when we work together.

So as part of this Programme, we will look to build international partnerships and strengthen collaboration across borders.

For a start, the Future Communications R&D Programme will establish a partnership with the 6G Flagship Programme in Finland.

The same approach to global partnerships applies to how Singapore has approached science and technology.

For example, our National Research Foundation has strong research collaborations with leading global universities and research institutions, including CNRS from France, ETH Zurich from Switzerland, MIT from the US, and Shanghai JiaoTong from China.

During this pandemic, we witnessed an unprecedented level of information sharing and cooperation in science and technology.

We must build on the positive momentum of collaboration in the fight against COVID-19, and redouble our efforts to strengthen global partnerships in R&D.

Only by working together can we multiply the impact of science and technology to build the digital world of tomorrow.

**Building a More Inclusive Digital Future**

The force of digital technology can propel the next wave of global growth and lift us out of the worst recession in a century.

But redefining technology for a better future goes beyond that. As we unlock the full potential of digital, we must always remember to use technology as a force for good. We must wield it in a way that will improve lives and the environment, and work hard to ensure that a growing digital arena does not result in a widening digital divide.

This will require stronger governance on the use of technology. Fair and ethical rules that are generally

Over the next five years, we will be investing US$19billion in research, innovation and enterprise, which includes a strong focus on digital technology.

Fully unlocking the potential of digital, requires all of us – individuals, companies and countries – to work together.

accepted will encourage more people to use and trust technology. Singapore launched the Model AI Governance Framework two years ago, which provides guidelines on how to address ethical and governance issues when deploying AI. These practices have been adopted by a range of companies, including DBS, Google, Visa and Microsoft.

Singapore also looks forward to contributing to international efforts to promote the responsible use of AI, such as through the Global Partnership on AI.

In addition, we must learn the past lessons from globalisation.

One important lesson is that globalisation has created tremendous opportunities for the talent and capital of those at the top, resulting in massive wealth accumulation. But it exposed the broad middle to sharper competition, and displaced many livelihoods. Inequality has widened as a result. Left to the natural order of things, the digital divide will widen as the digital revolution gains pace. COVID-19 has provided an early glimpse.

Many tech companies registered record revenue and profits, even as firms in hard-hit sectors were decimated.

With prolonged school closures, many have continued their education through home-based learning. But millions of children do not even have access to a computer, much less an internet connection.

Likewise, the digital marketplace has expanded significantly. But many small businesses which are not digitally savvy are left behind.

We must learn the past lesson of globalisation, and redouble our efforts to create a more inclusive digital future. In Singapore, we are making a concerted effort to bridge the digital divide.

We are teaching digital literacy and coding in schools, equipping our children with the skills to use technology safely and confidently.

As part of our economic transformation strategy, more companies are looking to transform and digitalise. We are also ensuring that our workers are equipped with the digital skills to take on new roles.

In the community, we are helping seniors with basic digital skills, and helping small businesses and hawkers go digital.

This is not just a government effort, but a collective effort that involves companies, workers and community stakeholders.

Building a digitally inclusive society requires all of us to do our part.

Businesses, in particular, can not only provide returns for shareholders, but also tackle the many challenges the world faces.

Doing well and doing good are not mutually exclusive. And consumers and employees want to support companies that improve lives and do impactful work.

Every time we conceptualise a new product or implement a new solution, we must think of how this can positively impact lives.

We must think of who might be left behind, and how we can help them. We must think of how this can lead to a better future.

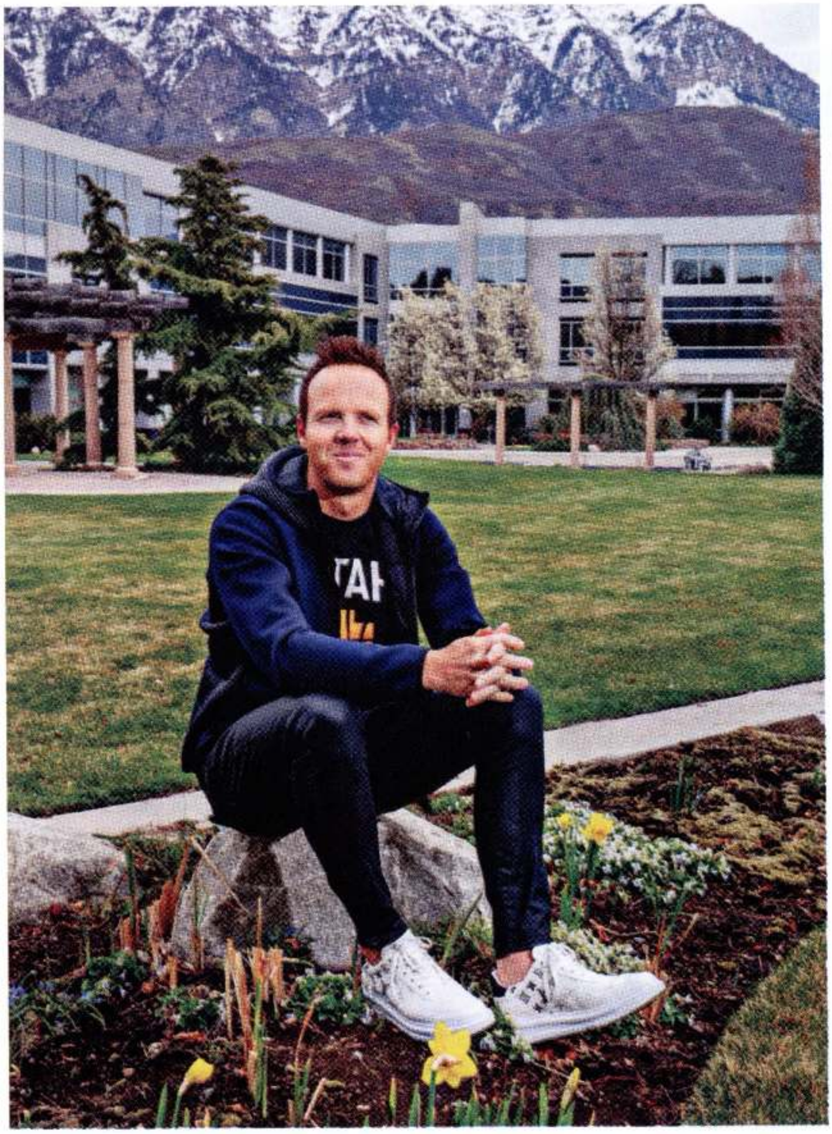
Every step matters, and we can all do more starting from today. Conclusion  Let me conclude.

COVID-19 has disrupted our lives and many livelihoods. But the pandemic has also accelerated the digital revolution.

Digital technology can be the new engine that will power the world out of this global recession into a new era of growth and prosperity. On this count, I believe Asia, and in particular Southeast Asia, has much to offer. Fully unlocking the potential of digital, requires all of us – individuals, companies and countries – to work together.

I have outlined how – through collective action – we can enable trusted flow of data, strengthen digital connections across borders, and continue to invest in new gamechangers.

As importantly, as we unlock the potential of digital, we must use technology in a way that will improve lives and create a more inclusive digital future. While many of you are joining the conference virtually, I welcome you to visit Singapore when the situation permits. In the meantime, I wish all of you a productive conference. Thank you. BT




IdeaWatch



From the Magazine (July–August 2021)

# How We did it

# The Founder of Qualtrics on Reinventing an Already Successful Business

by Ryan Smith

**IT'S MUCH EASIER TO CHANGE FROM A POSITION OF STRENGTH**

ONE OF THE hardest disciplines in business and in life is tearing down what you've built to build something better–and knowing when to do it, especially if everything is going well. At Qualtrics, the company my father, brother, a friend, and I founded in 2002, we've reinvented our business multiple times. At first we did it out of necessity. But we soon learned that it's much easier to change from a position of strength than when your hand is forced by the market or your competition. No major bet or pivot was successful in less than three or four years, so we learned to change when times were good. Still, sometimes you have no choice but to rebuild in the middle of a crisis.

Qualtrics started as a single-product survey company used primarily by academics to conduct research. It was an unconventional business model for a start-up–serving a small market with demanding customers who didn't have a lot of money. No venture capitalist would want to bet on that market. But by the early 2010s we had evolved into a multiproduct company helping organizations manage customer experience, employee insights, and market research. In 2017 we launched the experience management (XM) category and created the first

**Each pivot along the way required us to rebuild our tech stack, replace previous code, adjust our talent strategy, and realign the company.**

platform on which organizations could oversee the four core experiences of business: customer, employee, product, and brand. That led to our acquisition by SAP for $8 billion in January 2019 and an IPO two years later in which the opening price valued Qualtrics at three times that amount.

Each pivot along the way required us to rebuild our tech stack, replace previous code, adjust our talent strategy, and realign the company, and each entailed large costs and risks. But we recognized that if we were going to fundamentally shape the market we were in, we had to reinvent ourselves and create a more robust platform. Our motivation has always come from the quest to reach our highest potential as a company rather than continue with what's already working. We have always looked at our market, products, and people and asked, How can we continue to improve and better serve our customers?

In the end, it's not change but complacency that kills a business.

## A NEW WAY TO GATHER DATA

Qualtrics was born in our family basement in Provo, Utah. In the early 2000s my father, Scott, was a marketing professor at Brigham Young University. During a consulting project for BellSouth, he came upon the idea of using the internet to accelerate market research, thereby disintermediating expensive market-research firms. Not long after, he was diagnosed with throat cancer (now, thankfully, in remission). During the course of his treatments, we began building a software company. I was a junior at BYU's Marriott School of Business, but I saw the potential of our project and dropped out to be with my dad and work on it.

We always believed that the future of Qualtrics lay in helping large organizations, but at first it was hard to get those customers to embrace a new way of doing things. We were ahead of our time in measuring customer sentiment online. I remember one rejection from an airline executive in 2005: "If our customers are upset," he said, "they'll just call us." That was basically the way the world thought about customer experience. Companies that were interested in hearing from customers were happy to pay consultants and traditional research firms huge amounts of money, even though it took months to get results. They lived by the mantra "If it ain't broke, don't fix it."

That mentality led us to focus initially on a smaller market: academics like my father, who could use our product to conduct research online. We figured that if he was enthusiastic about our software, others would be too. Although we first approached CTOs and CIOs at universities, and they loved the product, they weren't willing to sign up on behalf of their schools. We had to come up with a new model. So we went directly to marketing professors at business schools, who had almost no budget. We would get one or two on board, and they would get the entire marketing department signed up.

That was definitely a hard way to do it, but the ripple effect, from the marketing department to the rest of the business school, ultimately came after that. Then the social science and psychology departments would join in. We'd go back to the same CTO or CIO two or three years later, and this time the entire university would sign up.

One benefit of this strategy was that it forced us to make our software robust yet flexible. Academics weren't paying us enough that we could afford to provide telephone support, so if the technology didn't work for everyone out of the box, we wouldn't make it as a company. That meant we had to build our technology in a way that could meet each professor's unique demands. Our tagline in those early days was "Sophisticated enough for a PhD, but easy enough for an intern." It defined our user experience from the start.

Another benefit was that we created future corporate customers: Students took their software preferences with them to internships and, after graduation, to their full-time jobs. One MBA who went to work for Heineken over the summer used Qualtrics for a field study project. The company wanted to keep using Qualtrics after he returned to school, so it bought a $60,000 license from us. Another student, from the University of Washington, did a project at Expedia, prompting the travel company to sign on as well.

Then the 2008–2009 financial crisis hit. We were based in Utah, far from Wall Street, but we still felt vulnerable. We had 40 employees, no venture money or outside capital, and an academic user base. We needed to proactively change before the crisis changed us. We sensed an opening with the enterprise market. The recession put intense cost pressure on every

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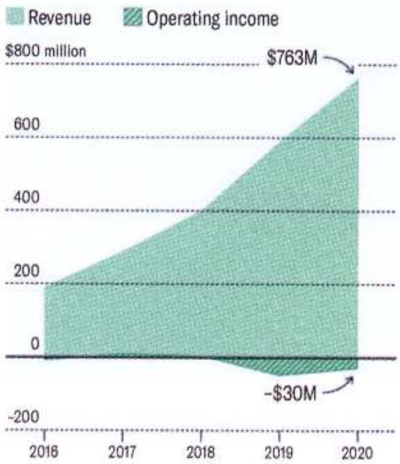
FACTS & FINANCIALS

## Qualtrics

Founded: 2002
Headquarters: Provo, Utah
No. of employees: 3,800




Source: Qualtrics

organization we were talking to, which was good news for us because we were faster and less expensive than traditional consulting and market research firms at a time when companies had to be right and needed to make decisions quickly. Ironically, during the downturn the number of our corporate clients began to skyrocket. That's when we saw the data revolution beginning. Data had become currency, and being right became a premium.

But even as our corporate revenue started outgrowing our academic revenue, most of our deals were still closing at the grassroots level. As our customer base increasingly shifted, we had some decisions to make. We were growing and profitable, but we were a family-run business with a basement headquarters, and most of our users were PhDs with no money. It would have been very easy to continue running a lifestyle business with a focus only on the academic market, but that wouldn't have allowed us to reach our full potential. We knew we had to tear down what we had built to create something better.

### A LEAP INTO ENTERPRISE

At Qualtrics we have always tried to look at big decisions through the lens of one-way and two-way doors–something we learned from other great tech companies. Some decisions can be reversed; for others there is no going back. A simple example for entrepreneurs: The distribution of equity is a one-way door, because once you've given it, you can't take it back. Introducing different pricing models is a two-way door–although it's a big decision, you can always iterate and change over time. Start-ups often suffer from "alarm fatigue" –every single business decision is treated as essential and irreversible. Or they run through every door as fast as they can because they think growth is all that matters. So how should you approach things? Train your organization to run as fast as it can through two-way doors, but everyone should stop and think carefully before passing through a one-way door.

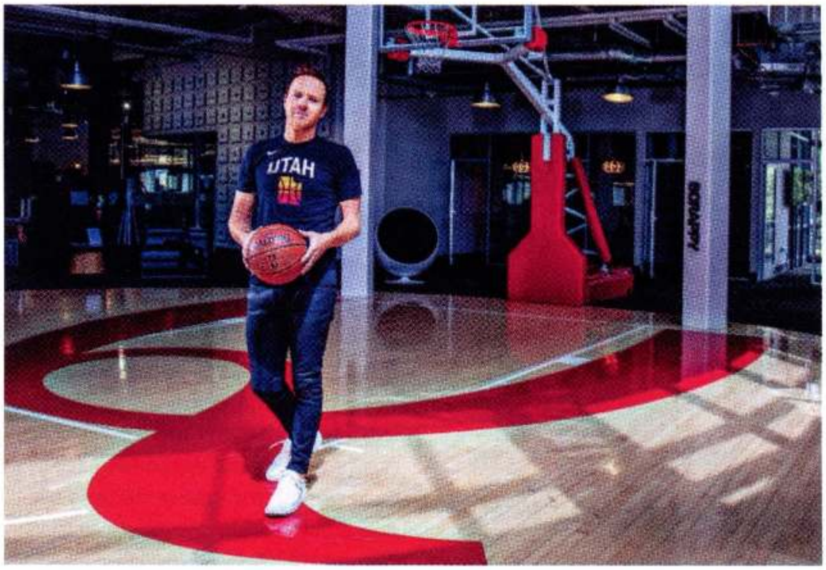
By 2012 we knew we were facing a huge one-way-door decision. We had more than 4,700 paying customers, including 600 universities and half of the Fortune 500. The corporate segment was impressive, but we knew we could do more. We received an all-cash $500 million acquisition offer from a private buyer – the first time in our 10 years that someone wanted to buy us. It validated what we were doing to disrupt the market, and it was also enough money for my dad, my brother, my friend, and me to sail off into the sunset. It was a tough decision, but we turned it down after asking ourselves a lot of questions, including What sort of company do we want to be? and What would have to be true for us to not regret passing on this offer? The answers to those questions would become our future road map.

That's when we knew it was time to walk through a one-way door. It would make sense not to sell only if we were going to go even bigger–and that would mean changing what we were doing even though it was working well. We loved the academic market (and it loved us), but we knew that long-term growth would require us to expand our focus and realign our strategy around enterprise clients–and we weren't configured for that yet. I had been working directly with the enterprise clients we did have, and I could clearly see the value we were creating. They were willing to coinvest with us to design the right solutions. That pointed to a massive expansion in our potential market, and we believed the time was right to go after it. But it would be a bet-the-business decision because of the capital investment we'd need to make in the product and the go-to-market strategy. The founders would have to sign up for a painful, long-term personal learning process as we worked to develop skill sets we lacked. We would have to break a lot of the rules–such as no remote workers–that had gotten us to where we were.

We moved resources from our thriving academic business and

**IdeaWatch**

*Ryan Smith at Qualtrics headquarters, in Provo, Utah.*




made a commitment to transition from a single-product to a multiproduct company, developing technology to help companies measure customer experience. We also built an employee-insights business for HR professionals. In making this decision, once again, we had to rebuild our technology stack, replace code, and realign a portion of our 300-person workforce with this new direction.

### PARTNERING WITH VCS

We were confident in this decision, and others in the years following, because we've always been close to our customers. I'm both a cofounder and the first salesperson. All our senior leaders, no matter their function, join sales meetings with prospects and clients. Some founders no doubt believe they can intuit what will be a hit without any meaningful contact with customers, but I'm guessing they are few. I gather insights from the front lines. I sit with our prospects and customers and listen to their needs and get a sense of what good feels like to them so that we can develop something they haven't imagined yet.

Another reason we were able to take the risk of becoming a multiproduct, enterprise-focused company was our commitment to earning buy-in from our internal team. Of course we always make room for dissent and healthy disagreement when we pause at the threshold of a one-way door. When brothers are running things together, dissent is a given. But once a decision is made, we ask everyone to be "all in." Often that means abandoning old ways of doing things and treasured projects that have consumed hours of employees' time over the years. I've always said that if it feels uncomfortable, it's probably right.

The same year we declined the $500 million offer, we tapped Silicon Valley for the first time for our Series A funding. That was a huge departure for us. Until then we had bootstrapped the company with no outside money. We were profitable and prided ourselves on being scrappy outsiders who didn't adhere to the tech industry's norms. But now we needed partners who had seen this movie before and could help us scale up past the $1 billion threshold.

Frankly, we needed to grow up. My brother, who left us in the early years to join Google, had returned in 2009, and we had lots of other A-level talent. But we hadn't yet built an executive team with experience selling to large enterprises or managing a company as it approached unicorn status. So we went out and found people who were smarter and more seasoned than we were. In the end we partnered with two leading VC firms–Accel and Sequoia. We knew they were committed: Accel, an early investor in Facebook, sent me 17 unsolicited emails before I even engaged with the firm, and Sequoia had a partner who had worked closely with my brother at Google. He knew us and our business intimately.

I certainly had concerns about this part of our strategy shift. I remember waking up in a cold sweat the night before my first meeting with Sequoia's Mike Moritz. I thought that as a condition of the investment, he would make me move the company–and my family–from Utah to California. But he didn't. He asked if we wanted to do something great, because he believed we could. And he said he believed we could do it from Utah. No one place has an exclusive on smart people. Moritz knew what we knew–that Utah has many of the same advantages the Bay Area does and then some.

**I'm confident about our ability to keep adapting to dynamic markets and customer needs. After some 20 years of pivots, we know how to reinvent ourselves.**

For example, we live where people come to vacation, and that offers a tremendous quality of life that top talent has come to appreciate. This was in 2012, and since then "Silicon Slopes" (as the cluster of high-growth companies in and around Provo, Utah, is now known) has blossomed into one of the best tech hubs in the United States.

With customer, employee, and investor support lined up, it was full steam ahead. We transitioned from a single-product market research company primarily serving academia to a multiproduct company serving enterprises with customer-experience, employee-insights, and market research products. We crossed the threshold, and there was no looking back.

## LAUNCHING THE XM CATEGORY

The next major one-way-door decision came in early 2017. Our business could not have been doing better. I gathered all our senior leaders in a conference room at our headquarters, which we'd named NORAD (after the U.S. military's early-warning command center), and asked them to speak now or forever hold their peace. On the table was a transition away from multiple products to a single platform, where enterprise clients could manage customer, employee, product, and brand experience in one place. We were going to burn the boat on our previous products and launch the XM category. This was another bet-the-company move while our business was at an all-time high. It would require the same type of reinvention we'd executed five years earlier. And again the risks were huge.

But we all agreed it was the right thing to do. Customers would benefit. Employees would buy in. And our investors were confident that we would figure it out. In fact, just a couple of months after we launched the XM Platform, they bet on us once again with a $180 million Series C investment.

Less than two years later it was clear that we'd been right: Organizations had signed on with Qualtrics faster than ever before. Having proved the power of XM, we were gearing up for our fall IPO road show when we started conversations with SAP about working together. We had built a stable, high-growth company that had remained cash-flow positive since its inception. We had always been told you had to choose between cash-flow positivity and high growth, but we had always optimized our business model for both, and it was paying off. Our business looked like a distant cousin of its early self. That's when we arrived at the ultimate one-way door. Three days before we were scheduled to ring the bell on Wall Street, SAP made a compelling offer that we couldn't refuse. Our goal since launching the XM category had been to take it to the world as fast and as effectively as possible. Every organization needs it. When SAP offered us $8 billion–the largest private-enterprise-software acquisition in history–we accepted, because the opportunity to take XM to SAP's 437,000 customers would allow us to achieve that goal. SAP's bet and all our reinventions were rewarded when the company took Qualtrics public, in January 2021. (SAP retains the controlling stake in Qualtrics, including all Class B shares that give it extra voting rights.)

On the day in 2019 that SAP acquired us, I sat in on an investor call with its then-CEO, Bill McDermott. One of the first questions was "How come I have never heard of Qualtrics?" I smiled inside. We've always bucked conventional wisdom, quietly focusing on building a long-term, profitable company that our customers value. We have continually transformed it to provide even greater value to more and more organizations with every pivot we've made. Even after our successful IPO, and nearly two decades into our journey, we all still feel as if we're just getting started.

I'm confident about our ability to keep adapting to dynamic markets and customer needs. After some 20 years of pivots, we know how to reinvent ourselves. But as I write this, Qualtrics (and every other organization across the globe) is facing a whole new world–and not one of our choosing. Covid-19 has disrupted traditional ways of doing business, causing upheaval in workforces and everywhere else. We have created new products and services that help employers, governments, and educators around the world monitor and act in the best interests of their employees, constituents, health care workers, and students.

We have to be light on our feet. We're leveraging the muscles and gears we've built through years of practice to ensure that everyone can adjust and adapt quickly. The good news is that reinventing ourselves is what we do best. Every time we've torn something down, our business has come back stronger and better. BT

## DFCC iConnect Revolutionizes Payment and Cash Management Solutions


With the digitization of processes spurred by the COVID-19 pandemic, customers and corporates alike are constantly looking for faster, more convenient ways to obtain remote financial services. As such, DFCC iConnect has been making day-to-day financial operations for Sri Lankan corporates efficient and convenient since 2018. DFCC iConnect has been servicing key businesses that contribute to the local economy for over four years now, including Orel Corporation and Gamma Pizzakraft Lanka.

Orel Corporation is adaptive manufacturing e-commerce led enterprise in Industry 4.0 with expertise in Building Infrastructure, Digital Infrastructure, Artificial Intelligence, Digital Commerce, Healthcare, Education, IoT & Transportation. As a third-generation, family-owned multinational company, Orel operates in 28 countries across six continents and has the ambition to grow by 100 fold in the coming years. Orel maintained a healthy relationship with DFCC Bank as a priority customer and opted to onboard the iConnect app.

Dinesh Karunaratne, Group Finance Manager, said, "We received multiple benefits from onboarding the iConnect platform. It has many automated services that aided inconveniently in taking care of our finances, ensuring that we don't allocate extra time or personnel to the matter. The platform helps us reduce unnecessary documentation, like moving away from manual cheque issuing and significant improvement in our financial control aspects. Today, we have great confidence in the system that improves our functions effectively and efficiently, and find it quite user-friendly." Sarath Kumara Singhapurage, CFO of Gamma Pizzakraft Lanka, testifies the convenience of using DFCC iConnect in daily financial operations. Gamma Pizzakraft Lanka is currently the sole franchisee for Pizza Hut and Taco Bell in Sri Lanka. The company owns and operates a chain of over 70 outlets island-wide and has been in business for over 25 years. Gamma Pizzakraft Lanka deals with DFCC Bank for both term loans and regular corporate banking. DFCC was the first bank to grant loans to Gamma for its store expansion plan in its initial stages of operation. Following this, DFCC Bank-financed several significant projects by Gamma and maintained a healthy relationship with the company.

Gamma Pizzakraft started using DFCC iConnect close to a year ago and has experienced a host of benefits through this platform to date. The company utilized most functionality in the system, including host to host payments, direct file uploading, salary payments, and pay order advice. Singhapurage elaborates on his experience with the platform, "The system facilitates user-level delegation of authority with strong securities, enabling us to manage our time more effectively and efficiently. The salary processing function of iConnect is exceptionally good, as is its help in our reconciliation processes. The platform also greatly aids in negating the hassle of cheque collection and realization time for our vendors. The cash management team, led by a great relationship manager, delivers excellent service, and we're glad to have DFCC Bank as our corporate banking partner."

DFCC Bank continues to revolutionize Payment & Cash Management Solutions, aptly working towards becoming the most customer-centric and digitally-enabled bank by 2025.

DFCC Bank was ranked amongst Business Today's Top 30 Corporates in Sri Lanka.

## Sampath Bank Introduces a Helpline for Business Startup Advisory Services

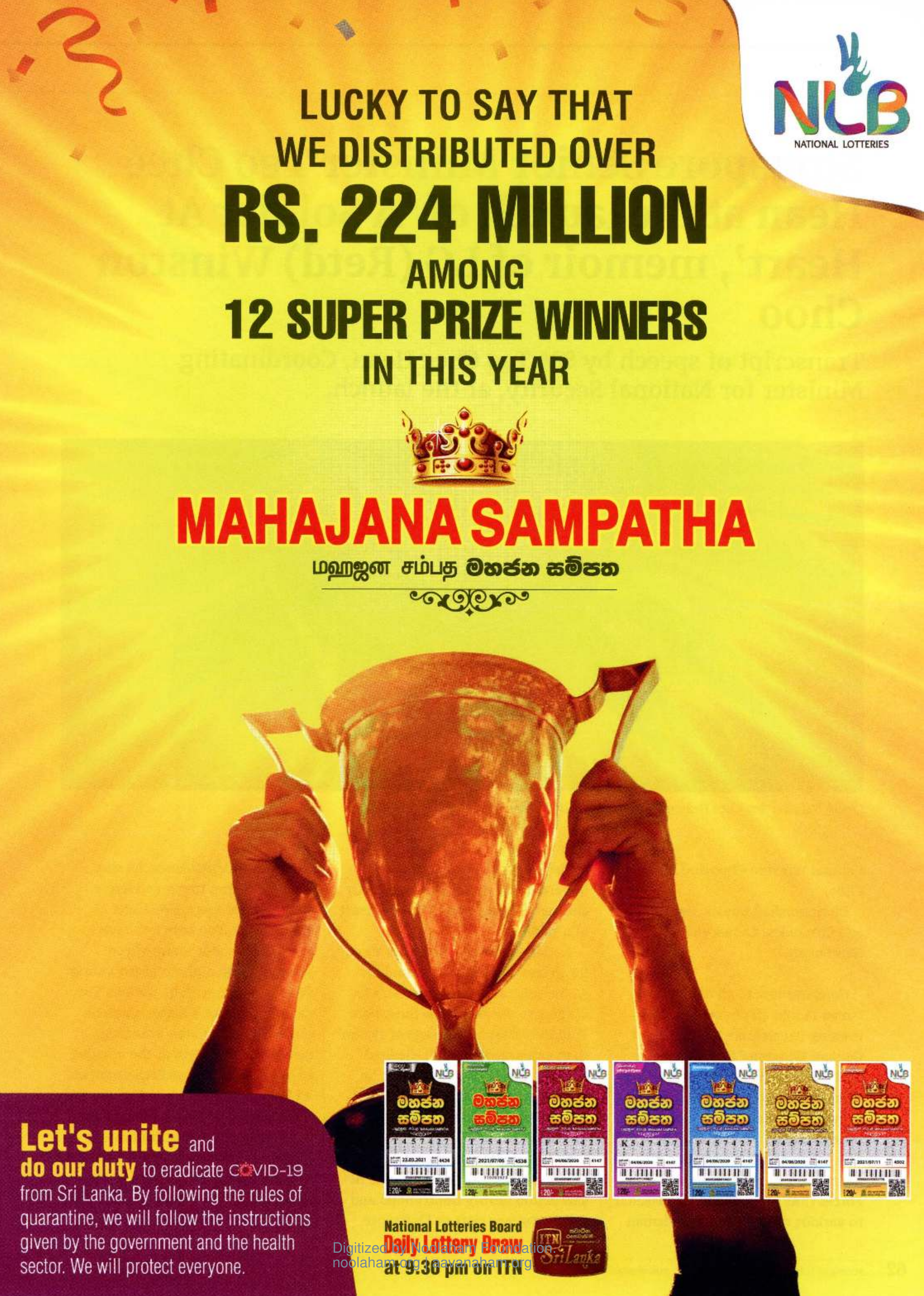
Sampath Saviya

Business Startup Advisory Service

Sampath Bank announced a helpline for Business Start-up Advisory Services under its flagship entrepreneurship development program, 'Sampath Saviya'.

This new endeavor builds on the Bank's longstanding efforts to support the nation's entrepreneurs and nurture a culture of entrepreneurship around the island. Focusing on the critical incubation period during which early-stage businesses face heightened levels of challenges, the initiative seeks to facilitate the business incubation process. Playing an advisory role, Sampath Bank will be offering much-needed guidance and support to help start-ups establish their businesses and commence operations. The Bank is geared to offer guidance on early-stage business planning and registration. They provide information to connect with the institutions that assist business start-ups, build relationships with the Bank, and learn business development programs.

"Right from our inception, we at Sampath Bank have always believed in the entrepreneurial spirit of our fellow Sri Lankans and sought to support them through every stage of their growth story. Going beyond offering innovative financial solutions and services, we continue to seek more ways to deliver greater value to them. The Entrepreneurship Development program has been one of the key pillars of our efforts in this regard," said Thusitha Nakandala, Group Chief Human Resources Officer, Sampath Bank. "We are delighted to expand our 'Sampath Saviya' program with the launch of 'Sampath Saviya Business Start-up Advisory Services.' This aims to offer guidance and advice to all Sri Lankans who are thinking about or working on starting their own business. We look forward to nurturing a wave of new entrepreneurs across the island."


NLB
NATIONAL LOTTERIES
LUCKY TO SAY THAT
WE DISTRIBUTED OVER
RS. 224 MILLION
AMONG
12 SUPER PRIZE WINNERS
IN THIS YEAR
MAHAJANA SAMPATHA
மஹஜன சம்பத මහජන සම්පත
Let's unite and
do our duty to eradicate COVID-19
from Sri Lanka. By following the rules of
quarantine, we will follow the instructions
given by the government and the health
sector. We will protect everyone.
National Lotteries Board
Daily Lottery Draw
at 9.30 pm on ITN
ITN Sri Lanka

# Singapore Senior Minister Teo Chee Hean at the launch of 'A Soldier At Heart', memoir of LG (Retd) Winston Choo

## Transcript of speech by SM Teo Chee Hean, Coordinating Minister for National Security, at the launch.

Senior Minister Teo Chee Hean with General Winston Choo

General Winston Choo and Mrs Choo,

Distinguished Guests, Colleagues and Comrades, Ladies and Gentlemen.

Good evening to all of you. I am happy to join all of you here this evening to celebrate the launch of General Winston Choo's memoir, "A Soldier At Heart". This is an apt title, for it captures the essence of a truly remarkable man. From the time he joined the Boys Brigade as a young teenager through his long career in the Singapore Armed Forces (SAF) and as our Ambassador to various countries and Chairman of the Singapore Red Cross, General Choo was a soldier at heart and served Singapore with the heart of a soldier.

As General Choo said in his book, he always wanted to be a soldier. At the time of self-government for Singapore, he joined the Singapore Volunteer Corps at the age of 17, and then embarked on a full-fledged military career two years later by signing up for officer-training at the Federation Military College in 1960.

As a young officer, when Singapore was part of Malaysia, he saw action during Konfrontasi and the 1960s race riots in Singapore. After our independence, he was Aide-de-Camp to our country's first Head of State, President Yusof Ishak. You may not have realised this, but many of you were carrying a photo of the young Winston Choo in your wallets. You can see General Winston Choo on one of our $50 notes, standing beside the President at the opening of our first sitting of Parliament on 22 December 1965.

General Choo has made a great many important contributions to Singapore. The most important of his contributions has been to the development of the SAF. He is a key pillar in the SAF's history. He was there at the very beginning, already serving at independence, and he led the SAF through its formative years. From 1974 until his retirement in 1992 – a full 18 years – he was first Director General Staff, then Chief of the General Staff, and then Chief of Defence Force. General Choo built National Service as an institution, professionalised the three Services, and developed a solid foundation for the Joint Staff and fully integrated tri-service SAF of today. Just as important, or perhaps even more so, General Choo shaped the culture and the values of the SAF. Not by issuing orders alone but by himself living and breathing these values. Winston Choo epitomised the SAF and led by example. He parachuted and dived, jogged with his men, and went into the trenches with them. He cared deeply about his soldiers, and spent long hours talking with them, listening to their problems, and getting to know them and their families.

I had the privilege to serve under General Choo's command throughout my career in the SAF. I observed him and learnt from him. I saw how he valued his soldiers, sailors and airmen, and engaged them easily. They trusted him because of his open and sincere manner. He believed that a robust esprit de corps was the glue that would bind the SAF and make it strong. And he succeeded in nurturing that esprit de corps in our pioneer servicemen even though they had very different origins and experiences – the volunteer corps, the Police, the Malaysian Armed Forces – together with a new crop of home-grown, SAFTI trained officers. General Choo instilled in them a sense of mission to serve our young nation. He led and guided generations of SAF officers who helped him bring the SAF forward – our SAF forward.

General Choo's considerable people skills also served Singapore very well through the relationships he developed with other armed forces and their top leaderships in countries in our region and beyond. He built friendships based on mutual respect and shared interests that have lasted to this day. Some were formed from his cadet days at FMC, as his senior classmen, peers and juniors rose to the top of the Malaysian and Bruneian armed forces. It is a testament to the regard that they have for him that some came to visit him when he was recovering from his illnesses. He had equally warm personal ties with the top Indonesian generals who played politically influential roles in the Soeharto era. These relationships with our closest neighbours which General Choo nurtured continue to be of great value to the SAF and Singapore to this day. In this area too, I was fortunate to have benefited from observing and learning from General Choo how to engage foreign military and political leaders, how to win their trust, how to put forward our positions in a friendly but firm way, advancing cooperation and friendship while safeguarding our interests. Today, I continue to meet many foreign leaders and officials whom I first met when I accompanied General Choo during his meetings with them. I was a little guy sitting in the corner and taking notes. Several of them I met just in the last fwew days in Brunei, and they send you their warmest greetings.

Since all of us have served in the SAF, or have grandfathers, fathers, husbands, brothers, or sons, and now perhaps daughters and sisters, who have served in the SAF, it is no exaggeration to say that General Choo has had an impact on every Singaporean. Many remember him fondly as a "living legend". The publication of this memoir has triggered glowing memories of General Choo on Facebook. One said: "I would have followed him anywhere." I would have followed him anywhere. Another, that "He is the definition of a man who puts home and country before all else."

Indeed, General Choo's life has been one of service to his country. I am glad that he has given us this memoir. It is more than just the life story of a remarkable man. It also reminds us of how far we have come as a nation, and of the massive challenges that we had to overcome to enjoy the security we have today. This book is a legacy not just to General Choo's children and grandchildren but to all Singaporeans, especially those who serve in General Choo's beloved SAF – past,present and future – to make Singapore more secure. I want to thank General Choo for being a role model to me and to all our servicemen in the SAF. I also wish to thank Kate, General Choo's ever gracious wife, who has been by his side through his life's journey. Thank you for your kindness to me and my wife, for all the wonderful dinners and post-dinner drinks you hosted for us, and for encouraging General Choo to work on this memoir.

According to last weekend's Sunday Times, this book is already the number one non-fiction bestseller in Singapore, and having read it, I can fully understand why. This is the perfect occasion to launch the book – two days before General Choo's 80th birthday. Congratulations, General Choo! I wish you a very happy birthday, and many more to come in the years ahead. It is with great pleasure that I join General Choo in launching this book.

Thank you.

# Basilur Tea collaborates with Hemas Pharmaceuticals to launch TIPSON

*(L–R): Erandika Hennedige, Director – Business Development and Corporate Affairs, Hemas Pharmaceuticals; Jude Fernando, Managing Director, Hemas Pharmaceuticals; Dr Gamini Abeywickrama, Chairman, Basilur Tea Export; and Hemantha Perera, Director Sales & Marketing, Basilur Tea Export.*

Basilur Tea Export partnered with Hemas Pharmaceuticals to distribute TIPSON, an internationally recognized brand in the local market.

A premium herbal infusion that has attracted many consumers across the globe, TIPSON has a vast range consisting of Organic Turmeric, Organic Ashwagandha, Organic Avocado, Organic Moringa, Organic Matcha, and Organic Tulsi herbal infusions.

Including a functional wellness range with Slim tea, Immune booster, Detox tea, Digestive support, Sleep-well tea, Liver cleanse, and an Organic Beauty tea range, TIPSON is well equipped for all customer wellbeing requirements. Hemas Pharmaceuticals has decided to collaborate in distributing products in the Turmeric, Ashwagandha, and functional wellness categories of the variety of TIPSON products available. Through this partnership, TIPSON is now available in several leading supermarkets in Sri Lanka.

Basilur Tea is renowned in multiple international brands across the globe as a premium gifting brand. While Basilur Tea is known for its superior quality Ceylon Tea, unique blends, freshness, and unique branding, TIPSON, on the other hand, is 100 percent natural, organic, and consists of high-quality herbs that enhance the vast amounts of health benefits. Its organic herbal infusions segment focuses on the health and wellbeing of its customers.

Founded by Dr. Gamini Abeywickrama, an individual with decades of experience producing and exporting the finest Ceylon tea, Basilur Tea aims to be more than just a beverage but rather a wholesome experience. Through the partnership with Andrey Mareev, a leading creative director, with some of the best tea designs and concepts are seen in the tea industry, Basilur Tea was conceived. With the highest quality Ceylon tea and unique products carefully developed over a decade of innovation, with cutting-edge technology, creativity, and constant research and development, Basilur Tea aims to personify the luxurious elements of the most premium teas across the globe. Continuous innovations, uniqueness in packaging, and tea blends have positioned Basilur Tea products as an exclusive premium range internationally, resulting in many accolades and awards.

Through the years, Hemas Pharmaceuticals has held the position as Sri Lanka's leading pharmaceutical importer and distributor while becoming one of the most streamlined as well as modernized organizations in the industry with continuous growth over its operations. As such, the collaboration between Basilur Tea and Hemas Pharmaceuticals reflects the expertise of two renowned companies.

Inspired by years of research into herbs and fruits' nutritional and functional benefits, TIPSON creates a unique, flavourful, and overall healthy experience for customers to immerse themselves in. With interest in health, fitness, and wellbeing steadily increasing, TIPSON is the optimum solution for refreshment at any time of the day.

Available at Basilur Tea outlets at Liberty Plaza and Colombo City Center, these premium quality products ensure excellence and healing in every sip. BT

# SPACS

# What You Need to Know

## A guide for the curious and the perplexed

ENTREPRENEURIAL FINANCE

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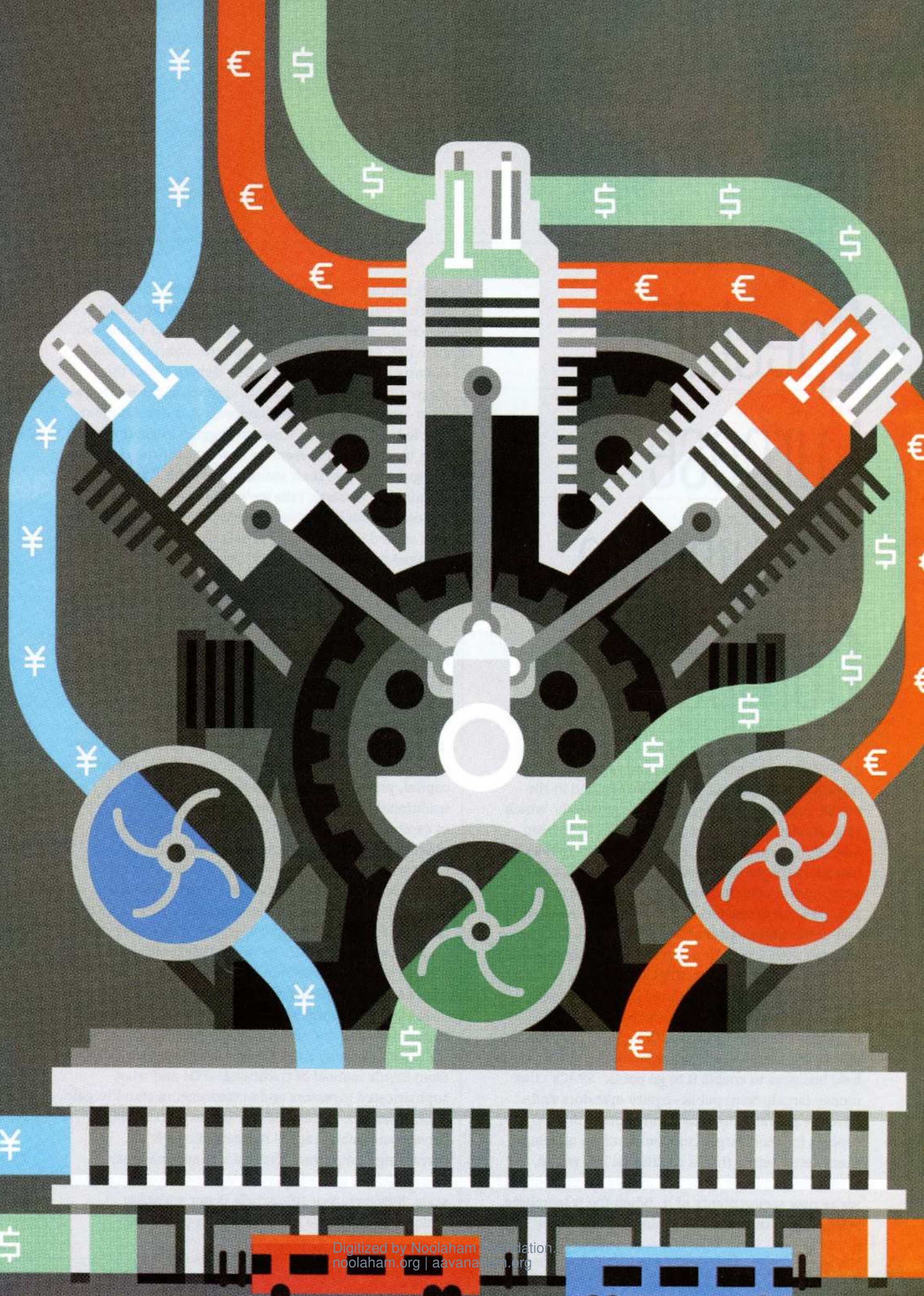
*Professor, Harvard Business School*

**Paresh Patel**
*Founder, Natural Order Acquisition Corporation*

ILLUSTRATOR
L-DOPA



From the Magazine (July–August 2021)



ENTREPRENEURIAL FINANCE

# Special Purpose Acquisition Companies,

or SPACs, are garnering a lot of attention lately in corporate boardrooms, on Wall Street, and in the media. And for good reason: Although SPACs, which offer an alternative to traditional IPOs, have been around in various forms for decades, during the past two years they've taken off in the United States. In 2019, 59 were created, with $13 billion invested; in 2020, 247 were created, with $80 billion invested; and in the first quarter alone of 2021, 295 were created, with $96 billion invested. Then there's this remarkable fact: In 2020, SPACs accounted for more than 50% of new publicly listed U.S. companies.

A SPAC is a publicly traded corporation with a two-year life span formed with the sole purpose of effecting a merger, or "combination" with a privately held business to enable it to go public. SPACs raise money largely from public-equity investors and have the potential to derisk and shorten the IPO process for their target companies, often offering them better terms than a traditional IPO would.

Investor euphoria naturally invites skepticism, and we're now seeing plenty of it. When the researchers Michael Klausner, Michael Ohlrogge, and Emily Ruan analyzed the performance of SPACs from 2019 through the first half of 2020, they concluded that although the creators of SPACs were doing well, their investors were not. Another potential cause for concern is that all sorts of celebrities and public figures–from the singer Ciara to the former U.S. speaker of the house Paul Ryan–are jumping on the bandwagon, a development that led the New York Times to suggest in February 2021 that SPACs represent "a new way for the rich and recognized to flex their status and wealth." Perhaps the most pessimistic take we've seen so far this year has come from Ivana Naumovska, an INSEAD professor who argued in an HBR.org article that SPACs have not changed much from their previous incarnation–the much-maligned blank-check corporations of the 1990s–and are simply not sustainable. Her article's title "The SPAC Bubble Is About to Burst."

We agree with critics that not all SPACs will find high-performing targets, and some will fail completely. Many investors will lose money. Nevertheless, we believe that SPACs are here to stay and may well be a net positive for the capital markets. Why? Because they offer investors and targets a new set of financing opportunities that compete with later-stage venture capital, private equity, direct listings, and the traditional IPO process. They provide an infusion of capital to a broader universe of start-ups and other companies, fueling innovation and growth.

We write as practitioners. Paresh is the CEO and a cofounder, along with Sebastiano Cossia Castiglioni, of Natural Order Acquisition Corporation, a SPAC created in 2020, focused on the plant-based-food economy. Max serves on its board. In this article we'll share much of what we've learned about the limits and virtues of SPACs, drawing on our recent experience and our deep expertise in the investment world (Paresh) and in negotiation and decision-making (Max). In particular, we'll spell out why some companies are seeking capital from SPACs instead of traditional IPOs and what sophisticated investors and entrepreneurs stand to gain.

The evidence is clear: SPACs are revolutionizing private and public capital markets. Thus, it's increasingly important that leaders and managers know how the game is played. We need to emphatically state, however, that this article is not a blanket endorsement of SPACs. It is simply a guide for

**SPACs have allowed many companies to raise more funds than alternative options do, propelling innovation in a range of industries.**

businesspeople considering a move into this rapidly evolving (and for many, unfamiliar) territory.

## A QUESTIONABLE START

When SPACs first appeared as blank-check corporations, in the 1980s, they were not well regulated, and as a result they were plagued by penny-stock fraud, costing investors more than $2 billion a year by the early 1990s. Congress stepped in to provide much-needed regulation, requiring, for example, that the proceeds of blank-check IPOs be held in regulated escrow accounts and barring their use until the mergers were complete. With a new regulatory framework in place, blank-check corporations were rebranded as SPACs.

In the decades that followed, SPACs became a cottage industry in which boutique legal firms, auditors, and investment banks supported sponsor groups that largely lacked blue-chip public-and private-investment training. They tended to focus on distressed companies or niche industries, reflecting the investment opportunities of the period. But that changed in 2020, when many more serious investors began launching SPACs in significant numbers. Established hedge funds, private-equity and venture firms, and senior operating executives were all drawn to SPACs by a convergence of factors: an excess of available cash, a proliferation of start-ups seeking liquidity or growth capital, and regulatory changes that had standardized SPAC products.

As these experienced players brought credibility and expertise to the industry, less-sophisticated investors took notice, triggering the current gold rush. On the whole, however, SPAC sponsors today are more reputable than they have ever been, and as a result, the quality of their targets has improved, as has their investment performance.

Today, most SPACs focus on companies that are disrupting consumer, technology, or biotech markets. Some of these firms are speculative, have enormous capital requirements, and can provide only limited assurances on near-term revenue and viability. (Electric-vehicle companies often fall into this category.) SPACs have allowed many such companies to raise more funds than alternative options would, propelling innovation in a range of industries. Risk-taking and speculation at this level can be unwise for unsophisticated investors, of course, but we believe that seasoned analysts can find great investment opportunities.

Some observers aren't so sure, including the researchers we cited above. Their study, published in the Yale Journal on Regulation, focused on an important feature of modern SPACs: the option for investors to withdraw from a deal after the sponsor identifies a target and announces a proposed merger. If investors don't like the deal, they can choose to pull out, redeeming their shares for cash invested plus interest. The researchers found that among the SPACs in their study, the average rate of redemption per deal was 58%, with a median redemption rate of 73%. Not only that, in more than a third of the SPACs, over 90% of investors pulled out.

At a glance, those numbers don't inspire confidence, because they suggest that most SPAC investors are backing out after targets are identified. But when

**IDEA IN BRIEF**

**THE FUNCTION**

*SPACs are publicly traded corporations formed with the sole purpose of effecting a merger with a privately held business to enable it to go public.*

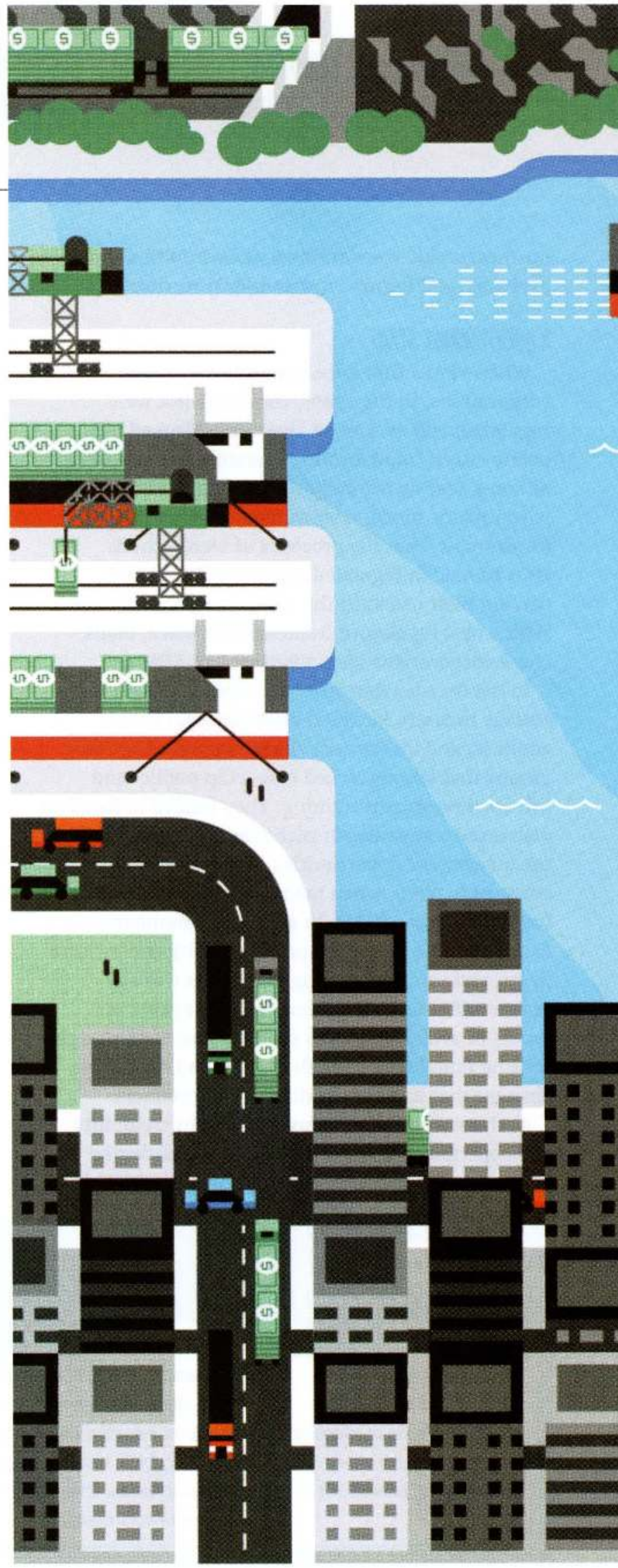
**THE ADVANTAGES**

*Compared with traditional IPOs, SPACs often offer targets higher valuations, less dilution, greater speed to capital, more certainty and transparency, lower fees, and fewer regulatory demands.*

**THE CAVEATS**

*Not all SPACs will find high-performing targets, and some will fail. Many investors will lose money. As an investment option they have improved dramatically, especially over the past year, but the market remains volatile. More changes are sure to come, which means that sponsors, investors, and targets must keep informed and vigilant.*

ENTREPRENEURIAL FINANCE



we took a closer look at the study, we discovered that many of the SPACs had raised relatively small amounts of capital and offered higher-than-average warrants as an incentive to entice investors–both indications of lower-quality sponsor teams. Market conditions have changed over the past nine months, and sponsor teams have improved markedly. As a result, far fewer investors are now backing out. That's what we found when we analyzed redemption history since the study ended. For the 70 SPACs that found a target from July 2020 through March 2021, the average redemption rate was just 24%, amounting to 20% of total capital invested. And over 80% of the SPACs experienced redemptions of less than 5%.

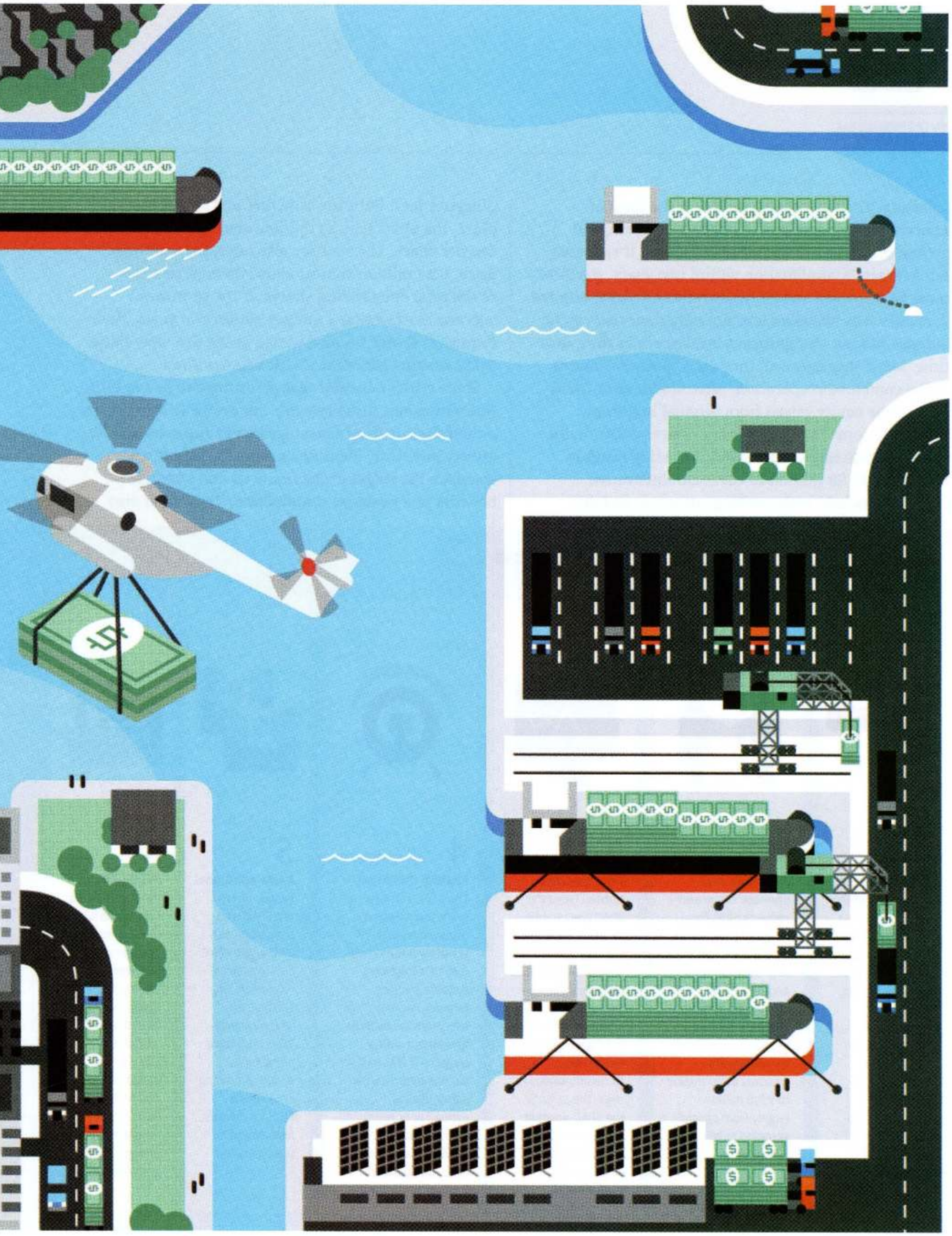
What this suggests is that today's SPAC ecosystem is fundamentally distinct from the one that existed as recently as 2019, characterized by different risks, stakeholders, structures, and performance. In this new ecosystem, corporate boards, investors, and entrepreneurs are all putting time and effort into demystifying the SPAC process and making it as flexible as possible so that the economic proposition for target companies optimizes current valuation, long-term opportunity, and risk.

The recent results are encouraging. For all deals closed from January 2019 through the first quarter of 2021, the average stock price for SPACs postmerger is up 31%–a figure that trails the S&P 500, which is up 36%, on average, over the same time period. But a more recent snapshot–January 2020 through the first quarter of 2021–shows that postmerger SPACs are outperforming the S&P 500 by a wide margin, up 47% versus 20%. And for SPACs with an announced deal but no merger as of March 2021, stocks are up 15% since IPO, on average, compared with 5% for the S&P 500 over the same time period. Our point is not that our analyses are correct and the earlier ones were wrong. Rather, we mean to highlight the volatility of the SPAC market and the need to pay attention to the timing and limitations of market analyses.

## WHO ARE THE STAKEHOLDERS?

SPACs have three main stakeholder groups: sponsors, investors, and targets. Each has a unique set of concerns, needs, and perspectives.

**Sponsors.** The SPAC process is initiated by the



ENTREPRENEURIAL FINANCE

sponsors. They invest risk capital in the form of nonrefundable payments to bankers, lawyers, and accountants to cover operating expenses. If sponsors fail to create a combination within two years, the SPAC must be dissolved and all funds returned to the original investors. The sponsors lose not only their risk capital but also the not-insignificant investment of their own time. But if they succeed, they earn sponsors' shares in the combined corporation, often worth as much as 20% of the equity raised from original investors.

Let's do some math. A sponsor creates a SPAC with a goal of $250 million in capital, investing roughly $6 million to $8 million to cover administrative costs that include underwriting, attorney, and due diligence fees. With the structure and concept in place, the SPAC sells 25 million shares to investors at $10 per share. The sponsor also buys, for a nominal price, 6.25 million shares, which amount to 20% of the total outstanding shares. If the sponsors succeed in executing a merger within two years, their founders' shares become vested at the $10-per-share price, making the stake worth $62.5 million.

Some critics consider that percentage to be too high. But remember, those rewards are available to sponsors only if they develop a strong concept and successfully attract investors, identify a promising target, and convince the target of the financial and strategic benefits of a business combination. They must also

## The SPAC Process at a Glance

**1**

**Announce the creation of the SPAC.** Prior to identifying a target, sponsors develop a SPAC business plan, invest $1.5 million to $2 million for operating expenses to start the process, and announce a board of directors.

**2**

**Assemble the sponsor team and raise capital from investors.** Sponsors fill out their team with underwriters and others, file an S-1 offering document, and participate in a limited road show to raise capital–typically $200 million to $750 million–largely from special-situation public investors.

**3**

**Take the SPAC public.** Once the SPAC goes public, its stock becomes tradable, as with any other publicly listed corporation. Sponsors pay the under-writers 2% of the raised amount as IPO fees. Generally within 52 days, the units of the SPAC are split into warrants and common shares, which trade independently.

**4**

**Identify the target.** The SPAC manage-ment team begins discussions with privately heldcompa-nies that might be suitable merger targets. The SPAC has two years to reach an agreement with a target; if it fails to do so, management can either seek an extension or return all invested funds to the investors, at which time the sponsors lose their risk capital.

**5**

**Raise additional funds.** When the SPAC and target agree to terms, the SPAC commences a road show to validate the valuation and raise additional capital in a round of funding known as a PIPE, or private investment in public equity.

**6**

**Negotiate terms, sign an agreement, and file a proxy.** The merger and PIPE agreements are signed simultaneously, and the SPAC and the target file a proxy, which outlines the financial history of the target along with merger terms and conditions.

**Not all SPAC investors seek high-flying returns, nor are they necessarily interested in the merger itself. The structure allows for a variety of return and risk profiles and timelines.**

negotiate competitive transaction terms and shepherd the target and the SPAC through the complex merger process–without losing investors along the way. That's a tall order. And with the proliferation of SPACs, the competition among sponsors for targets and investors has intensified, heightening the chance that a sponsor will lose both its risk capital and investment of time.

**INVESTORS.** The vast majority of investments in SPACs to date have come from institutional investors, often highly specialized hedge funds. Original investors in a SPAC buy shares prior to the identification of the target company, and they have to trust sponsors who are not obligated to limit their targets to the size, valuation, industry, or geographic criteria that they outlined in their IPO materials. Investors receive two classes of securities: common stock (typically at $10 per share) and warrants that allow them to buy shares in the future at a specified price (typically $11.50 per share). Warrants are a critical ingredient in the risk-alignment compact between SPAC sponsors and investors. Some SPACs issue one warrant for every common share purchased; some issue fractions (often one-half or one-third) of a warrant per share; others issue zero. Given that warrants, which provide additional upside to early investors, are incentives to subscribe, the greater the number of warrants issued, the higher the perceived risk of the SPAC.

After the sponsor announces an agreement with a target, the original investors choose to move forward with the deal or withdraw and receive their investment back with interest. Even if they decide to pull out, they can keep their warrants. In this sense, the SPAC provides them with a risk-free opportunity to evaluate an investment in a private company.

Not all SPAC investors seek high-flying returns, nor are they necessarily interested in the business combination itself. Some have no intention of keeping capital in the merger and use the structure on a levered basis to obtain a guaranteed return–often at a higher yield than Treasury and AAA corporate bonds offer–in the form of interest on invested income and the sale of warrants, while getting a look at the combination. The complexity of the structure allows for a variety of return profiles, risk profiles, and timelines, depending on investors' goals.

**TARGETS.** Most SPAC targets are start-up firms that have been through the venture capital process. Firms at this stage commonly consider several options: pursuing a traditional IPO, conducting a direct IPO listing, selling the business to another company or a private equity firm, or raising additional capital, typically from private equity firms, hedge funds, or other institutional investors. SPACs can be an attractive alternative to these late-round options. They are highly customizable and can address a variety of combination types. Although targets are commonly a single private company, sponsors may also use the structure to roll up multiple targets. SPACs can also take companies public in the United States that are already public overseas and even combine multiple SPACs to take one company public.

## 7

**Set a date for investors to approve or reject the deal.** The SPAC schedules a formal date for SPAC shareholders to (a) approve the deal and have their investment rolled into the combined entity, (b) approve the deal but receive their invested funds back with interest, or (c) reject the deal and receive their invested funds back with interest. If the merger fails, the SPAC starts over with a different target or, if the two years have run out, returns invested capital and disbands.

## 8

**Complete the merger.** If the deal is approved, the merger is completed shortly thereafter using the assets remaining after any withdrawals. The SPAC and PIPE proceeds (after deduction of various expenses) are invested in the target, the governance structure of the SPAC dissolves, and the target starts trading under its own name and ticker symbol.

ENTREPRENEURIAL FINANCE

## HOW TO PLAY THE GAME

Successful SPACs create value for all parties: profit opportunities for sponsors, appropriate risk-adjusted returns for investors, and a comparatively attractive process for raising capital for targets. The greater the value that can be created, the more likely it is that a SPAC will negotiate satisfactory terms for all parties and reach a successful combination.

In the early days, sponsors created value by investing risk capital and convincing public-equity shareholders of the investment opportunity. Sponsors are now providing more certainty to those stakeholders by tapping various types of institutional investors (mutual funds, family offices, private equity firms, pension funds, strategic investors) to invest alongside the SPAC in a PIPE, or private investment in public equity. This additional source of funding allows investors to buy shares in the company at the time of the merger. Sponsors use PIPEs to validate their investment analysis (PIPE interest represents a vote of confidence), increase the overall funding available, and reduce the dilution impact of sponsor equity and warrants. They also serve as a means to guarantee a minimum amount of cash invested in the event that original investors choose to pull out of the deal. PIPE investors commit capital and agree to be locked up for six months. They take on this risk because they're confident in the investment opportunity, they assume the merged entity will be thinly traded after the merger, and they're offered subscription prices that are expected be at a discount to market prices.

To steer a SPAC through the entire process, from conception to merger, the sponsor needs a strong team. Not unlike private equity firms, many sponsors today recruit operating executives who have the domain expertise to evaluate targets and the ability to convince them of the benefits of combinations. They also seek out board members with valuable relationships and demonstrated experience in governance and strategy.

SPAC deals are complex and must be executed on tight timelines. SPAC teams must have experience with operational and legal due diligence, securities regulations, executive compensation, recruiting, negotiation, and investor relations. Although some of these roles can be outsourced, sponsors typically hire dedicated staff to quarterback these parallel processes. If a SPAC can assemble a strong team, it will be more likely to attract sophisticated long-term investors on good terms, and more-attractive target companies will invite it into merger conversations. Indeed, when SPACs have these sorts of observable advantages, they often declare them in their IPOs. (High-quality targets are as concerned about the deal execution process as they are about price.)

## WHAT'S IN IT FOR TARGETS

SPACs offer target companies specific advantages over other forms of funding and liquidity. Compared with traditional IPOs, SPACs often provide higher valuations, less dilution, greater speed to capital, more certainty and transparency, lower fees, and fewer regulatory demands.

Take speed, for example. For targets, the entire SPAC process can take as little as three to five months, with the valuation set within the first month, whereas traditional IPOs often take nine to 12 months, with little certainty about the valuation and the amount of capital raised until the end of the process. When it comes to valuation, SPACs again often offer more than traditional IPOs do. Several months prior to a merger, the parties in a SPAC, including the target, negotiate a capital commitment and a binding valuation (although the valuation is subject to approval by PIPE investors). In traditional IPOs, by contrast, targets largely cede the valuation process to the underwriters, who directly solicit and manage potential investors.

Another important advantage is that SPACs often yield higher valuations than traditional IPOs do, for a variety of reasons. First and foremost, in the traditional process there's a conflict of interest: Underwriters often have a one-off and transactional relationship with companies looking to go public but an ongoing one with their regular investors. To a large extent, the underwriters control the allocation of shares and use the process to reward their best and most important clients. They often set an initial price below the market's actual valuation, providing higher returns to their buying customers and to themselves.

Consider what that means for the target. In 2020, the value of companies in the first 90 days after they went public in a traditional IPO rose 92%, on average. That might sound like a resounding success—but what

**For targets, the entire SPAC process can take as little as three to five months, with the valuation set within the first month, whereas traditional IPOs often take nine to 12 months.**

the strong post-IPO performance actually suggests is that these companies raised too little capital at too low a price in the IPO process. In failing to optimize their balance sheets and overall dilution, the companies left money on the table, which was probably captured by IPO bankers and their clients.

As a target, you should be laser focused on the sponsor's deal execution and capital-conversion capabilities. You should scrutinize the quality and expertise of the team's legal advisers, bankers, and IPO-readiness advisers and their ability to complete the work in the dramatically condensed time frame. You should ask sponsors to explain their investment theses and the logic behind their proposed valuation. And you should evaluate the team's ability to execute back-end activities, including raising the PIPE, managing the regulatory process, ensuring shareholder approvals, and crafting an effective public relations story–all of which are necessary for a smooth transition to a public listing. Bearing these things in mind, you may find you have plenty of reasons not to choose the SPAC that makes you the highest offer.

One last piece of advice for targets: Remember that sponsors don't have much time to complete a combination. Because of that, if you can demonstrate that your financial records are in compliance with the Public Company Accounting Oversight Board's regulations, you'll save everyone time and provide more certainty, which will make your firm a notch more attractive and put you in a better negotiating position.

## NEGOTIATE FOR SUCCESS

Game theory emphasizes the importance of thinking about the likely decisions of the other party in developing a rational course of action in a negotiation. This is certainly true in the SPAC ecosystem, where you need to fully understand the motivations and goals of multiple parties.

Consider the sponsor-target negotiation. If you analyze it simply as a two-party process, you'll find that the target has considerable leverage, particularly late in the 24-month cycle, because the sponsor stands to lose everything unless it is able to complete a deal. But when you factor original investors into the equation, the calculus changes, because they can reject deals after they've been announced. Unreasonable terms that favor targets will not survive the PIPE process or will trigger high investor redemptions and put the deal at risk.

Sponsors, therefore, need to negotiate an effective combination that creates more value for the target relative to its other options–and is also attractive to the investors. The negotiation is further complicated by the fact that targets may be talking with more than one SPAC, at least early in the negotiation process.

As with any other complex negotiation, a SPAC merger agreement presents almost unlimited options for customization. All players should come to the table with a solid understanding of what they need, want, and care about–and where they can find common ground. If you're an investor or a target, be aware that sponsors are focused on not only their shares but also their reputation, which can affect their ability to create additional SPACs. And if you're a sponsor or an investor, be aware that targets need to balance the various kinds of value they can gain–from the SPAC team, from dilution, from the execution of the deal, and even postmerger. Targets have to consider a host of other factors as well–cash available for operations, publicity upon going public, derisking, shareholder liquidity, and market conditions–which can further complicate the negotiation.

WE BELIEVE THAT SPACs are here to stay, and that they offer the potential for significant benefit. Some SPACs will fail, of course, at times spectacularly, and some of the players will behave unethically, as can happen with any other method of raising capital. But SPACs have improved dramatically as an investment option since the 1990s, and even since just a year ago. More changes are sure to come,–in regulation, in the markets–which means that anybody involved in the SPAC process should stay informed and vigilant. This is a rapidly evolving story. BT

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## Micro Leases Disbursed by HNB to 400+ Agri MSMEs


HNB officer handing over the micro leasing facility to an agricultural entrepreneur in Pottuvil.

HNB disbursed over one billion rupees to entrepreneurs in the agricultural sector through its 'Micro Leasing' facility, offering Micro, Medium, and Small Enterprises (MSMEs) many benefits and opportunities.

Working in line with the Central Bank of Sri Lanka's directives to support and strengthen Sri Lanka's agricultural sector, HNB's micro leases will be utilized to enhance the capabilities of over 400 agricultural entrepreneurs across the island. A collaborative effort by the Bank's Leasing and Micro Finance arms, the facility offers customers a full suite of services, including access to great deals and benefits from HNB's extensive merchant partner network.

"The agriculture sector was one of the hardest hit by the COVID-19 pandemic in terms of revenue generation. Given its immense potential to contribute to a vibrant export economy, it is vital that we increase the sector's productivity and earning potential through modernization and mechanization. We have experienced first-hand the remarkable appetite for these technologies at the grassroots. We are proud to able to support farmers in their essential contributions towards rejuvenating the country's agricultural sector," Sanjay Wijemanne, DGM – Retail and SME Banking, HNB said.

"Given our strong relationship with the agricultural sector, we understand not only their needs but the ideal time for their needs. Our microfinance officers have always been at the forefront of guiding and helping entrepreneurs in the sector to develop further. We are delighted with the progress they have made in this instance. The collaborative efforts of HNB's Leasing and Micro Finance Departments of the Bank has ensured the success of this product, and we are delighted at how well our customers in the agricultural sector have received it," Niluka Amarasinghe, Head of Leasing, HNB, said.

Through its microfinance officers stationed across the country's grassroots, HNB has facilitated growth in the sector through its Gami Pubuduwa initiative. The Bank will lend the same support for its leasing customers by organizing curated sessions to enhance value chain development and capacity-building skills in collaboration with skills development organizations. Additionally, customers can use the Bank's flexible payment schemes, customized to their repayment capabilities. The Bank will onboard all customers using the facility on its digital platforms such as HNB SOLO, MOMO, and Appigo, improving the availability of convenient payment solutions in the sector. Furthermore, HNB offers a seamless one-day approval process supported by its backend systems. Customers availing themselves of the facility are entitled to a free life insurance cover of 4.5 million rupees. The insurance is also anchored to discounted premiums from HNB General Insurance.

## HNB Partners with Pink Drives for Leasing


(L-R): Mahesh Ratnayake, Leasing Executive – Business Development, HNB; Roshan De Silva, Assistant Manager – Leasing, HNB; Niluka Amarasinghe, Head of Leasing, HNB; Kanchana Karunagama, Head of Personal Financial Services, HNB; Sanjay Wijemanne, Deputy General Manager – Retail and SME Banking, HNB; Shohan Kulasuriya, Founder/CEO, Pink Drives; Liswith Obinamuni, Pink Drives; COO; and Shani Madurangi, Head of Operations, Pink Drives.

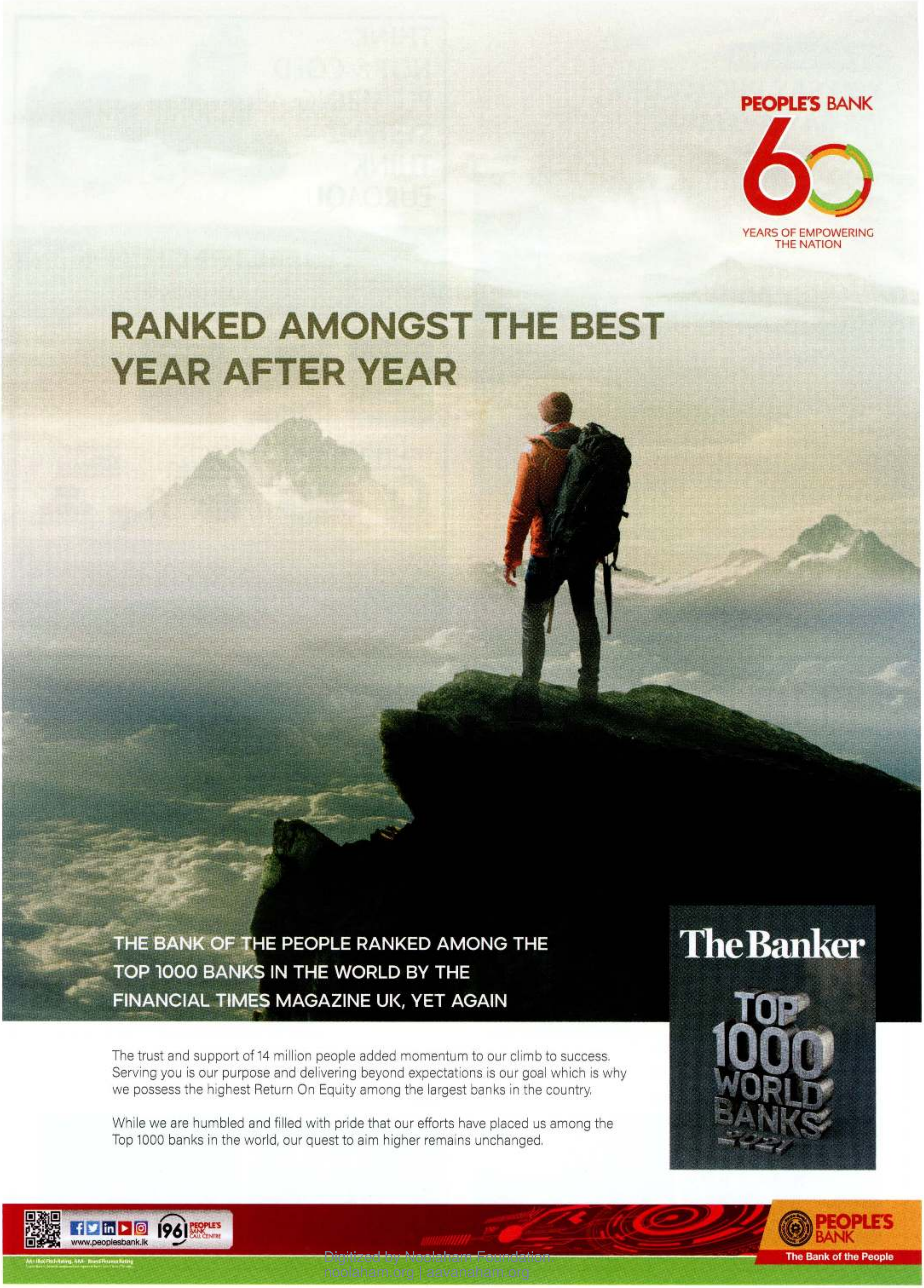
Empowering women drivers and commuters, HNB partnered with ride-sharing app Pink Drives to offer lady drivers access to exclusive bundled leasing, insurance, and card packages with special low-interest rates.

"HNB is proud to partner and supports Pink Drives in their mission to empower women, by providing them with a means to financial empowerment, while delivering a safe and convenient mode of transportation for women and children," Niluka Amarasinghe, Head of Leasing, HNB said.

In addition to special low-interest leasing facilities, Pink Drives chauffeurs will receive a free life insurance cover of up to 4.5 million rupees and natural death insurance of 600,000 rupees, and a Prestige Prime credit card with the first-year annual fee waived off. Notably, women who open and maintain accounts with HNB will have access to Pink Drives ride-sharing platform.

"We are delighted to partner with HNB to offer our chauffeurs convenient leasing facilities inclusive of attractive interest rates and benefits. Our services aim to provide women and children in Sri Lanka a safe journey to their destination while also offering women drivers a hassle-free mode of employment," Shohan Kulasuriya, Founder/CEO, Pink Drives, said.

Pink Drives is Sri Lanka's first and only lady-driven Taxi Service for ladies and kids. Initially providing the service in Colombo and the suburbs, the company utilizes the latest technology to facilitate safer and convenient travel while empowering women.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Spotlight
AI-POWERED MARKETING

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# How to Design an AI Marketing Strategy

## What the technology can do today–and what's next

OF ALL A company's functions, marketing has perhaps the most to gain from artificial intelligence. Marketing's core activities are understanding customer needs, matching them to products and services, and persuading people to buy–capabilities that AI can dramatically enhance. No wonder a 2018 McKinsey analysis of more than 400 advanced use cases showed that marketing was the domain where AI would contribute the greatest value.

Chief marketing officers are increasingly embracing the technology: An August 2019 survey by the American Marketing Association revealed that implementation of AI had jumped 27% in the previous year and a half. And a 2020 Deloitte global survey of early AI adopters showed that three of the top five AI objectives were marketing-oriented: enhancing existing products and services, creating new products and services, and enhancing relationships with customers.

While AI has made inroads in marketing, we expect it to take on larger and larger roles across the function in the coming years. Given the technology's enormous potential, it's crucial for CMOs to understand the types of marketing AI applications available today and how they may evolve. Drawing on more than a decade of experience studying data analytics, AI, and marketing and advising companies across industries about them, we've developed a framework that can help CMOs classify existing AI projects and plan the rollout of future ones. But before we describe the framework, let's look at the current state of play.

### TODAY'S AI

Many firms now use AI to handle narrow tasks, such as digital ad placement (also known as "programmatic buying"); assist with broad tasks, like enhancing the accuracy of predictions (think sales forecasts); and augment human efforts in structured tasks, such as customer service. (See the sidebar "Well-Established AI Applications in Marketing" for a list of some common activities AI can support.)

Firms also employ AI at every stage of the customer journey. When potential customers are in the "consideration" phase and researching a product, AI will target ads at them and can help guide their search. We see this

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happening at the online furniture retailer Wayfair, which uses AI to determine which customers are most likely to be persuadable and, on the basis of their browsing histories, choose products to show them. And AI-enabled bots from companies such as Vee24 can help marketers understand customers' needs, increase their engagement in a search, nudge them in a desired direction (say, to a specific web page), and if needed, connect them to a human sales agent by chat, phone, video, or even cobrowsing–allowing an agent to help the customer navigate a shared screen.

AI can streamline the sales process by using extremely detailed data on individuals, including real-time geolocation data, to create highly personalized product or service offers. Later in the journey, AI assists in upselling and cross-selling and can reduce the likelihood that customers will abandon their digital shopping carts. For example, after a customer fills a cart, AI bots can provide a motivating testimonial to help close the sale–such as "Great purchase! James from Vermont bought the same mattress." Such initiatives can increase conversion rates fivefold or more.

After the sale, AI-enabled service agents from firms like Amelia (formerly IPsoft) and Interactions are available 24/7 to triage customers– requests–and are able to deal with fluctuating volumes of service requests better than human agents are. They can handle simple queries about, say, delivery time or scheduling an appointment and can escalate more-complex issues to a human agent. In some cases AI assists human reps by analyzing customers' tone and suggesting differential responses, coaching agents about how best to satisfy customers' needs, or suggesting intervention by a supervisor.

## THE FRAMEWORK

Marketing AI can be categorized according to two dimensions: intelligence level and whether it's stand-alone or part of a broader platform. Some technologies, such as chatbots or recommendation engines, can fall into any of the categories; it's how they're implemented within a specific application that determines their classification.

Let's look at the two types of intelligence first.

**Task automation.** These applications perform repetitive, structured tasks that require relatively low levels of intelligence. They're designed to follow a set of rules or execute a predetermined sequence of operations based on a given input, but they can't handle complex problems such as nuanced customer requests. An example would be a system that automatically sends a welcome email to each new customer. Simpler chatbots, such as those available through Facebook Messenger and other social media providers, also fall into this category. They can provide some help to customers during basic interactions, taking customers down a defined decision tree, but they can't discern customers' intent, offer customized responses, or learn from interactions over time.

**Machine learning.** These

**IDEA IN BRIEF**

THE CHALLENGE

*At many firms, the marketing function is rapidly embracing artificial intelligence. But in order to fully realize the technology's enormous potential, chief marketing officers must understand the various types of applications—and how they might evolve.*

THE FRAMEWORK

*Classifying AI by its intelligence level (whether it is simple task automation or uses advanced machine learning) and structure (whether it is a stand-alone application or is integrated into larger platforms) can help firms plan which technologies to pursue and when.*

IMPLEMENTATION

*Companies should take a stepped approach, starting with rule-based, stand-alone applications that help employees make better decisions, and over time deploying more-sophisticated and integrated AI systems in customer-facing situations.*

**Machine-learning models can recognize images, decipher text, segment customers, and anticipate how customers will respond to various initiatives, such as promotions.**

algorithms are trained using large quantities of data to make relatively complex predictions and decisions. Such models can recognize images, decipher text, segment customers, and anticipate how customers will respond to various initiatives, such as promotions. Machine learning already drives programmatic buying in online advertising, e-commerce recommendation engines, and sales propensity models in customer relationship management (CRM) systems. It and its more sophisticated variant, deep learning, are the hottest technologies in AI and are rapidly becoming powerful tools in marketing. That said, it's important to clarify that existing machine-learning applications still just perform narrow tasks and need to be trained using voluminous amounts of data.

Now let's consider stand-alone versus integrated AI.

**Stand-alone applications.** These are best understood as clearly demarcated, or isolated, AI programs. They're separate from the primary channels through which customers learn about, buy, or get support for using a company's offerings, or the channels employees use to market, sell, or service those offerings. Put simply, customers or employees have to make a special trip beyond those channels to use the AI.

Consider the color-discovery app created by Behr, the paint company. Using IBM Watson's natural language processing and Tone Analyzer capabilities (which detect emotions in text), the application delivers several personalized Behr paint-color recommendations that are based on the mood consumers desire for their space. Customers use the app to short-list two or three colors for the room they intend to paint. The actual sale of paint is then executed outside the app, although it does allow a connection to order from Home Depot.

**Integrated applications.** Embedded within existing systems, these AI applications are often less visible than stand-alone ones to the customers, marketers, and salespeople who use them. For example, machine learning that makes split-second decisions about which digital ads to offer users is built into platforms that handle the entire process of buying and placing ads. Netflix's integrated machine learning has offered customers video recommendations for more than a decade; its selections simply appear in the menu of offerings viewers see when they go to the site. If the recommendation engine were stand-alone, they would need to go to a dedicated app and request suggestions.

Makers of CRM systems increasingly build machine-learning capabilities into their products. At Salesforce, the Sales Cloud Einstein suite has several capabilities, including an AI-based lead-scoring system that automatically ranks B2B customer leads by the likelihood of purchase. Vendors like Cogito, which sells AI that coaches call center salespeople, also integrate their applications with Salesforce's CRM system.

Combining the two types of intelligence and two types of structure yields the four quadrants of our framework: stand-alone machine-learning apps, integrated machine-learning apps, stand-alone task-automation apps, and integrated task-automation apps.

Understanding which quadrant applications fall into can help marketers plan and sequence the introduction of new uses.

### Well-Established AI Applications in Marketing

- Chatbots for lead development, customer support, and cross-selling or upselling
- Inbound call analysis and routing, and customer comment and email analysis, classification, and response
- Marketing campaign automation (including emails, landing page generation, and customer segmentation)
- Marketing mix analysis
- Online product merchandising
- Pricing
- Product or service recommendations and highly personalized offers
- Programmatic digital ad buying
- Sales lead scoring
- Social-media planning, buying, and execution
- Social-media sentiment analysis
- Television ad placement (partial)
- Web analytics narrative generation
- Website operation and optimization (including testing)

## A STEPPED APPROACH

We believe that marketers

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will ultimately see the greatest value by pursuing integrated machine-learning applications, though simple rule-based and task-automation systems can enhance highly structured processes and offer reasonable potential for commercial returns. Note, however, that nowadays task automation is increasingly combined with machine learning–to extract key data from messages, make more-complex decisions, and personalize communications–a hybrid that straddles quadrants.

Stand-alone applications continue to have their place where integration is difficult or impossible, though there are limits to their benefits. Therefore, we advise marketers to move over time toward integrating AI within current marketing systems rather than continue with stand-alone applications. And indeed, many companies are heading in that overall direction; in the 2020 Deloitte survey, 74% of global AI executives agreed that "AI will be integrated into all enterprise applications within three years."

## GETTING STARTED

For firms with limited AI experience, a good way to begin is by building or buying simple rule-based applications. Many firms pursue a "crawl-walk-run" approach, starting with a stand-alone non-customer-facing task-automation app, such as one that guides human service agents who engage with customers.

Once companies acquire basic AI skills and an abundance of customer and market data, they can start moving from task automation to machine learning. A good example of the latter is Stitch Fix's clothing-selection AI, which helps its stylists curate offers for customers and is based on their self-reported style preferences, the items they keep and return, and their feedback. These models became even more effective when the company began to ask customers to choose among Style Shuffle photos, creating a valuable source of new data.

New sources of data–such as internal transactions, outside suppliers, and even potential acquisitions–are something marketers should look for constantly, since most AI applications, particularly machine learning, require vast amounts of high-quality data. Consider the machine-learning-based pricing model that the charter jet firm XO used to increase its EBITDA by 5%: The key was to tap external sources for data on the supply of private jets and on factors that affect demand, such as major events, the macroeconomy, seasonal activity, and the weather. The data XO uses is publicly available, but it's a good idea to also seek proprietary sources whenever possible, because models using public data can be copied by competitors.

As companies become more sophisticated in their use of marketing AI, many fully automate certain types of decisions, taking humans out of the loop entirely. With repetitive, high-speed decisions, such as those required for programmatic ad buying (where digital ads are served up almost instantaneously to users), this

### The Four Kinds of Marketing AI

Categorizing potential applications according to their intelligence level and structure can help companies plan the rollout of their marketing AI. Simple stand-alone apps are a good place to begin because they're easier to set up, but their benefits are limited. Once companies acquire AI skills and amass data, they can add apps that are more advanced and are part of other platforms, working their way up to integrated machine learning, which has the potential to create the most value.

| | ISOLATED FROM OTHER PLATFORMS | INTEGRATED INTO BROADER PLATFORMS |
|---|---|---|
| MORE ADVANCED | **Stand-Alone Machine-Learning Apps**<br>Olay Skin Advisor<br>Behr color-discovery app<br>Vee24 chatbot | **Integrated Machine-Learning Apps**<br>Predictive sales-lead scoring in CRM<br>CRM-based sales coaching<br>E-commerce product recommendations<br>Programmatic digital ad buying |
| LESS ADVANCED | **Stand-Alone Task-Automation Apps**<br>Basic consumer service chatbots (such as Facebook Messenger bots)<br>Email automation systems | **Integrated Task-Automation Apps**<br>Inbound customer call routing<br>CRM-linked marketing automation systems |

**Firms should move to more-automated decisions whenever possible. This is where the greatest returns from marketing AI will be found.**

approach is essential. In other domains AI may only present recommendations to a person faced with a choice–for example, suggesting a movie to a consumer or a strategy to a marketing executive. Human decision-making is typically reserved for the most consequential questions, such as whether to continue a campaign or to approve an expensive TV ad.

Firms should move to more-automated decisions whenever possible. We believe this is where the greatest returns from marketing AI will be found.

## CHALLENGES AND RISKS

Implementing even the simplest AI applications can present difficulties. Stand-alone task-automation AI, despite its lower technical sophistication, can still be hard to configure for specific workflows and requires companies to acquire suitable AI skills. Bringing any kind of AI into a workflow demands careful integration of human and machine tasks so that the AI augments people's skills and isn't deployed in ways that create problems. For instance, while many organizations use rule-based chatbots to automate customer service, less-capable bots can irritate customers. It may be better to have such bots assist human agents or advisers rather than interact with customers.

As companies adopt more-sophisticated and integrated applications, other considerations arise. Incorporating AI into third-party platforms, in particular, can be tricky. A case in point is offered by Procter Gamble's Olay Skin Advisor, which uses deep learning to analyze selfies that customers have taken, assess their age and skin type, and recommend appropriate products. It is integrated into an e-commerce and loyalty platform, Olay.com, and has improved conversion rates, bounce rates, and average basket sizes in some geographies. However, it has been harder to integrate it with retail stores and Amazon, third parties that account for a high percentage of Olay's sales. The Skin Advisor is not available on Olay's extensive store site on Amazon, hampering the brand's ability to deliver a seamless, AI-assisted customer experience there.

Finally, companies must keep customers' interests top of mind. The smarter and more integrated AI applications are, the more worries customers may have about privacy, security, and data ownership. Customers may be skittish about apps that capture and share location data without their knowledge or about smart speakers that may be eavesdropping on them. In general, consumers have shown a willingness (even eagerness) to swap some personal data and privacy in exchange for the value that innovative apps can provide. Concerns about AI applications like Alexa seem to be dwarfed by appreciation of their benefits. Thus the key for marketers as they expand the intelligence and reach of their AI is to ensure that its privacy and security controls are transparent, that customers have some say over how their data is collected and used, and that they get fair value from the firm in exchange. To guarantee those protections and maintain customers' trust, CMOs should establish ethics and privacy review boards–with both marketing and legal experts–to vet AI projects, particularly those that involve customer data or algorithms that may be prone to bias, such as credit scoring.

**WHILE MARKETING** AI holds enormous promise, we urge CMOs to be realistic about its current capabilities. Despite the hype, AI can still accomplish only narrow tasks, not run an entire marketing function or process. Nevertheless, it's already offering substantial benefits to marketers–and in fact is essential in some marketing activities–and its capabilities are rapidly growing. We believe that AI will ultimately transform marketing, but it's a journey that will take decades. The marketing function and the organizations that support it, IT in particular, will need to pay long-term attention to building AI capabilities and addressing any potential risks. We urge marketers to start developing a strategy today to take advantage of AI's current functionality and its likely future. BT

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## Sampath Bank Extends Partnership with Paycorp International

Evan Lau, Director, Bancstac.

Darshin Pathinayake, Head of Card Centre, Sampath Bank.

Sampath Bank extended its strategic partnership with Paycorp International, a wholly-owned subsidiary of Bancstac. It provides Sampath Bank customers with the capability to accept online payments from American Express, Diners Club, and Discover Network Cardmembers through Paycorp International's Internet Payment Gateway (IPG). Sampath Bank customers can already accept Visa, Mastercard, and UnionPay International online payments through the Sampath Payment Gateway.

Sampath Bank enables its customers to access online payment transactions across these six major issuer networks with this partnership. To start accepting online payments for American Express, Diners Club, and Discover Network, Sampath Bank customers need to apply online for a merchant account with Paycorp International.

Paycorp International independently approves all applications, and the feature is then automatically enabled for approved merchants. After that, merchants can conveniently access all their online payment transactions across six major issuer networks from the Paycorp International IPG merchant portal. Paycorp International's pioneering IPG is Payment Card Industry Data Security Standard (PCI DSS) Level 1 certified. It offers 3D secure certified payment verification (3DS) for added security and protection to businesses and consumers against fraud across all major credit card schemes. Traditionally, businesses in Sri Lanka had to integrate various payment gateways and technologies to process online payments for different groups of issuer networks. The partnership will simplify online payment transactions for businesses and government agencies across the island, giving a substantial boost to digital commerce. It supports the Bank's efforts to accelerate the acceptance, adoption, and integration of innovative digital payment solutions in line with the Government and the Central Bank of Sri Lanka's efforts to implement new technologies to strengthen the payments and settlements infrastructure.

Darshin Pathinayake, Head of Card Center, Sampath Bank, said: "At Sampath Bank, we have always strived to leverage emerging technologies to deliver innovative solutions that transform Sri Lanka's financial services landscape and add more value to the nation. Empowering businesses with the necessary finances and the right solutions through every stage of their growth journey remains one of our key focus areas. We have continued to enable businesses to take their first steps into the world of digital commerce. We are excited to expand our partnership with Paycorp International to enhance our customers' payment acceptance capabilities. Sampath Bank business and government customers can now seamlessly accept payments from six of the world's major issuers, which will help drive sales and business growth. This is yet another innovative solution to have been developed through our longstanding partnership with Paycorp International. We invite businesses of all sizes to simplify the payments process on their e-commerce portals."

Evan Lau, Director of Bancstac, said: "We are excited to strengthen our partnership with Sampath Bank and deliver our online payment acceptance capability for American Express, Diners Club, and Discover Network to Sampath Bank's customers. We are committed to a vision of modernizing Sri Lanka's digital payment economy by delivering frictionless payment experiences to businesses, government, and the community."

Businesses can view their Sampath Payment Gateway transactions using the Paycorp International IPG merchant portal to generate consolidated transaction reports and submit requests to void or refund transactions.

## 'DFCC Leasing Flash Promo'


DFCC Bank came forward with the 'DFCC Leasing Flash Promo', a 24-hour online leasing promotion, which offered a 0.5 percent interest rate reduction on existing leasing rates. Lease rentals were offered, interest rates starting from 8.50 percent p.a. This unique proposition arrives as a need-of-the-hour solution during this COVID-19 pandemic situation where the standard opportunities for physical leasing promotions at car dealerships and bank branches have been rendered impossible.

As Sri Lanka faces the adverse effects of the COVID-19 pandemic, which has primarily incapacitated regular business functions, DFCC Bank has identified the increased use of digital channels by people to order goods and apply for services. Coupling this with the need for the people who intend to buy a vehicle or upgrade their existing vehicle, the bank has effectively integrated it into their leasing program with the 'DFCC Leasing Flash Promo'. The promotion, which was held on July 30, 2021, with registered customers were made available to a 0.5 percent interest reduction if they apply for a DFCC leasing facility within 60 days from the promotion date.

DFCC Bank was ranked amongst Business Today's Top 30 Corporates in Sri Lanka.

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From the Magazine (July–August 2021)

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# Why You Aren't Getting More from Your Marketing AI

## Chances are, you haven't asked the right questions.

**WHEN A LARGE** telecom company's marketers set out to reduce customer churn, they decided to use artificial intelligence to determine which customers were most likely to defect. Armed with the AI's predictions, they bombarded the at-risk customers with promotions enticing them to stay. Yet many left despite the retention campaign. Why? The managers had made a fundamental error: They had asked the algorithm the wrong question. While the AI's predictions were good, they didn't address the real problem the managers were trying to solve.

That kind of scenario is all too common among companies using AI to inform business decisions. In a 2019 survey of 2,500 executives conducted by Sloan Management Review and the Boston Consulting Group, 90% of respondents said that their companies had invested in AI, but fewer than 40% of them had seen business gains from it in the previous three years.

In our academic, consulting, and nonexecutive director roles, we have studied and advised more than 50 companies, examining the main challenges they face as they seek to leverage AI in their marketing. This work has allowed us to identify and categorize the errors marketers most frequently make with AI and develop a framework for preventing them.

Let's look at the errors first.

ALIGNMENT

### Failure to Ask the Right Question

The real concern of the managers at our telecom firm should not have been identifying potential defectors; it should have been figuring out how to use marketing dollars to reduce churn. Rather than asking the AI who was most likely to leave, they should have asked who could best be persuaded to stay–in other words, which customers considering jumping ship would be most likely to respond to a promotion. Just as politicians direct their efforts at swing voters, managers should target actions toward swing customers. By giving the AI the wrong objective, the telecom marketers squandered their money on swaths of customers who were going to defect anyway and *underinvested* in customers they should have doubled down on.

In a similar case, marketing managers at a gaming company wanted to encourage users to spend more money while they were playing its game. The marketers asked the data science team to figure out what new features would most increase users' engagement. The team used algorithms to tease out the relationship between possible features and the amount of time customers spent playing, ultimately predicting that offering prizes and making the public ranking of users' positions more prominent would keep people in the game longer. The company made adjustments accordingly, but new revenues didn't follow. Why not? Because managers, again, had asked the AI the wrong question: how to increase players' engagement rather than how to increase their in-game spending. Because most users didn't spend money inside the game, the strategy fell flat.

At both companies, marketing managers failed to think carefully about the business problem being addressed and the prediction needed to inform the best decision. AI would have been extremely valuable if it had

**Spotlight**
AI-POWERED MARKETING

predicted which telecom customers would be most persuadable and which game features would increase players' spending.

ASYMMETRY

## Failure to Recognize the Difference Between the Value of Being Right and the Costs of Being Wrong

AI's predictions should be as accurate as possible, shouldn't they? Not necessarily. A bad forecast can be extremely expensive in some cases but less so in others; likewise, superprecise forecasts create more value in some situations than in others. Marketers–and, even more critically, the data science teams they rely on–often overlook this.

Consider the consumer goods company whose data scientists proudly announced that they'd increased the accuracy of a new sales-volume forecasting system, reducing the error rate from 25% to 17%. Unfortunately, in improving the system's overall accuracy, they increased its precision with low-margin products while reducing its accuracy with high-margin products. Because the cost of underestimating demand for the high-margin offerings substantially outweighed the value of correctly forecasting demand for the low-margin ones, profits fell when the company implemented the new, "more accurate" system.

It's important to recognize that AI's predictions can be wrong in different ways. In addition to over-or underestimating results, they can give false positives (for instance, identifying customers who actually stay as probable defectors) or false negatives (identifying customers who subsequently leave as unlikely defectors). The marketer's job is to analyze the relative cost of these types of errors, which can be very different. But this issue is often ignored by, or not even communicated to, the data science teams that build prediction models, who then assume all errors are equally important, leading to expensive mistakes.

AGGREGATION

## Failure to leverage Granular Predictions

Firms generate torrents of customer and operational data, which standard AI tools can use to make detailed, high-frequency predictions. But many marketers don't exploit that capability and keep operating according to their old decision-making models. Take the hotel chain whose managers meet weekly to adjust prices at the location level despite having AI that can update demand forecasts for different room types on an hourly basis. Their decision-making process remains a relic of an antiquated booking system.

Another major impediment is managers' failure to get the granularity and frequency of their decisions right. In addition to reviewing the pace of their decision-making, they should ask whether decisions based on aggregate-level predictions should draw on more finely tuned predictions. Consider a marketing team deciding how to allocate its ad dollars on keyword searches on Google and Amazon. The data science team's current AI can predict the lifetime value of customers acquired through those channels. However, the marketers might get a higher return on ad dollars by using more-granular predictions about customer lifetime value per keyword per channel.

## Communication Breakdowns

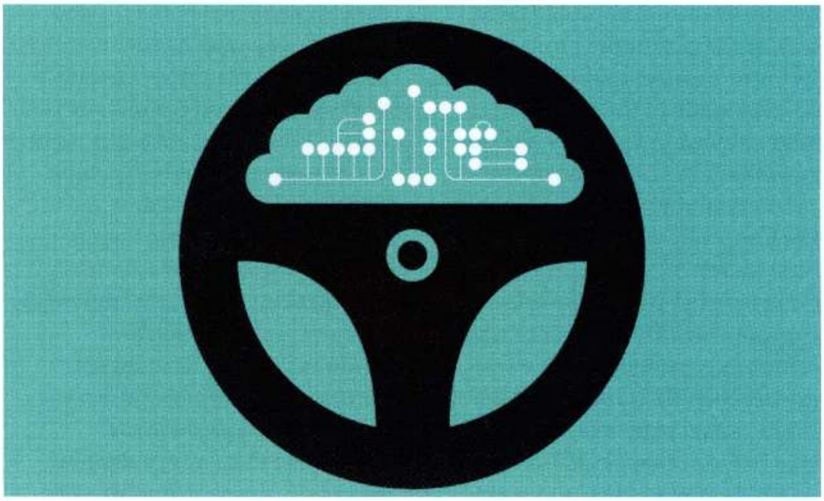
In addition to constantly guarding against the types of errors we've described, marketing managers have to do a better job of communicating and collaborating with their data science teams–and being clear about the business problems they're seeking to solve. That isn't rocket science, but we often see marketing managers fall short on it.

Several things get in the way of productive collaboration. Some managers plunge into AI initiatives without fully understanding the technology's capabilities and limitations. They may have unrealistic expectations and so pursue projects AI can't deliver on, or they underestimate how much value AI could provide, so their projects lack ambition. Either situation can happen when senior managers are reluctant to reveal their lack of understanding of AI technologies.

Data science teams are also complicit in the communication breakdown. Often, data scientists gravitate toward projects with familiar prediction requirements, whether or not they are what marketing needs. Without guidance from marketers about how to provide value, data teams will often remain in their comfort zone. And while marketing managers may be reluctant to ask questions (and reveal their ignorance), data scientists often struggle to explain to nontechnical managers what they can and can't do.

We've developed a three-part framework that will help open lines of communication between the marketing and data science teams. The framework, which we've applied at several companies, lets

**When defining the problem, managers should get down to what we call the atomic level—the most granular level at which it's possible to make a decision.**



teams combine their respective expertise and create a feedback loop between AI predictions and the business decisions they're meant to inform.

## The Framework in Practice

To bring the framework to life, let's return to the telecom company.

**1 What is the marketing problem we are trying to solve?** The answer to this question has to be meaningful and precise. For example, "How do we reduce churn?" is far too broad to be of any help to the developers of an AI system. "How can we best allocate our budget for retention promotions to reduce churn?" is better but still too vague. (Has the retention budget been set, or is that something we need to decide? What do we mean by "allocate"? Are we allocating across different retention campaigns?) Finally, we get to a clearer statement of the problem, such as: "Given a budget of $x million, which customers should we target with a retention campaign?" (Yes, this question could be refined even further, but you get the point.) Note that "How do we predict churn?" doesn't appear anywhere–churn prediction is not the marketing problem.

When defining the problem, managers should get down to what we call the *atomic* level–the most granular level at which it's possible to make a decision or undertake an intervention. In this case the decision is whether or not to send each customer a retention promotion.

As part of the discovery process, it's instructive to document exactly how decisions are made today. For example, the telecom company uses AI to rank customers (in descending order) by their risk of churning in the next month. It targets customers by starting at the top of that ranking and moves down it until the budget allocated to the retention campaign runs out. While this step seems merely descriptive and doesn't reveal how the problem might be reframed, we have seen many cases where it is the first time the data science team actually gets to understand how its predictions are used.

It's important at this stage for the marketing team to be open to iterating to get to a well-defined problem, one that captures the full impact of the decision on the P&L, recognizes any trade-offs, and spells out what a meaningful improvement might look like. In our experience, senior executives usually have a good sense of the problem at hand but have not always precisely defined it or clearly articulated to the rest of the team how AI will help solve it.

**2 Is there any waste or missed opportunity in our current approach?** Marketers often recognize that their campaigns are disappointments, but they fail to dig deeper. At other times managers are unsure about whether the results can be improved. They need to step back and identify the waste and missed opportunities in the way a decision is currently made.

For instance, most airlines and hotels track measures of *spill* and spoil: *Spoil* measures empty seats or rooms (often the result of pricing too high), *spill* measures "lost trading days" on which flights or hotels filled too quickly (the result of pricing too low). Spill and spoil are beautiful measures of missed opportunity because they tell a very different story from aggregated measures of occupancy and average spend. To make the most of their AI investments, marketing leaders need to identify their spill and spoil equivalents–not in the aggregate but at the atomic level.

The first step is to reflect on what constitutes success and failure. At the telecom firm, the knee-jerk definition of success was "Did the targeted customers renew their contracts?" But that's too simplistic and inaccurate; such customers might have renewed without receiving any promotion, which would make the promotion a waste of retention dollars. Similarly, is it a success when a customer who was not targeted by a promotion does defect? Not necessarily. If that customer was going to leave anyway, not targeting her was indeed a success, because she wasn't persuadable. However, if the customer would have stayed if she'd received the promotion, an opportunity was missed. So what would constitute success at the atomic level? Targeting only customers with high churn risk who were persuadable and not targeting those who were not.

Once the sources of waste and missed opportunities are identified, the next step is to quantify them with the help of data. This can be easy or very hard. If the data team can quickly determine what was a success or failure at the atomic level by looking at the data, great! The team can then look at the distribution of success versus failure to quantify waste and missed opportunities.

There are cases, however, where it is difficult to identify failures at the atomic level. At the telecom firm, the data team wasn't examining which customers were persuadable, and that made it hard to classify failures. In such circumstances teams can quantify waste and missed opportunities using more-aggregated data, even if the results are less precise. One approach for the telecom firm would be to look at the cost of the promotion incentive relative to the incremental lifetime value of the customers who received it. Similarly, for the customers not contacted by the promotion, the team might look at the lost profit associated with the nonrenewal of their contracts.

Such tactics helped the telecom company identify customers who were being retained but at a cost greater than their incremental future value, high-value customers who had defected despite receiving retention promotions, and high-value customers who had not been targeted and left after the campaign. This quantification was possible because the data science team had a control group of customers–who had been left alone to set the baseline–to compare results against.

**3 What is causing the waste and missed opportunities?** This question is usually the hardest, because it requires reexamining implicit assumptions about the firm's current approach. To find the answer the firm must explore its data and get its subject matter experts and data scientists to collaborate. The focus should be on solving the alignment, asymmetry, and aggregation problems we identified earlier.

→ ***Addressing alignment***

The goal here is to map the connections between AI predictions, decisions, and business outcomes. That requires thinking about hypothetical scenarios. We recommend that teams answer the following questions:

*In an ideal world, what knowledge would you have that would fully eliminate waste and missed opportunities? Is your current prediction a good proxy for that?*

If the telecom team members had answered the first question, they would have realized that if their AI predicted perfectly who could be won over by the retention offer (rather than who was about to leave), they could eliminate both waste (because they wouldn't bother making offers to unpersuadable customers) and missed opportunities (because they'd reach every customer who was persuadable). While it is impossible to make perfect predictions in the real world, focusing on persuadability would still have led to great improvements.

After the ideal information is identified, the question becomes whether the data science team can make the required predictions with sufficient accuracy. It's crucial that the marketing and data science teams answer this together; marketers often don't know what can be done. Similarly, it is difficult for the data scientists to link their predictions to decisions if they don't have subject matter expertise.

*Does the output of your AI fully align with the business objective?*

Remember the gaming company that used AI to identify features that would increase user engagement? Imagine the gains if the company had created AI that predicted user profitability instead.

A common mistake here is falsely believing that a correlation between the prediction and the business objective is enough. This thinking is flawed because correlation is not causation, so you might predict changes in something that correlates with profitability but does not in fact improve it. And even when there is causation, it may not map 100% to the objective, so your effort may not

**Humans are, by and large, reluctant to change. Many managers haven't yet adjusted to the frequency and level of detail at which the new technology can make old decisions.**

fully achieve your final outcome, leading to missed opportunities.

At the telecom company, asking this third question might lead the team to think not only about persuadable users but also about the increase or decrease in their profitability. A persuadable user with low expected profitability should have a lower priority than a persuadable user with high expected profitability.

→ ***Addressing asymmetry.*** Once you have a clear map that links the AI prediction with the decision and the business outcome, you need to quantify the potential costs of errors in the system. That entails asking, How much are we deviating from the business results we want, given that the AI's output isn't completely accurate?

At the telecom company, the cost of sending a retention promotion to a nonpersuadable customer (waste) is lower than the cost of losing a high-value customer who could have been persuaded by the offer (missed opportunity). Therefore, the company will be more profitable if its AI system focuses on not missing persuadable customers, even if that increases the risk of falsely identifying some customers as being receptive to the retention offer.

The difference between waste and missed opportunity sometimes is difficult to quantify. Nevertheless, even an approximation of the asymmetric cost is worth calculating. Otherwise, decisions may be made based on AI predictions that are accurate on some measures but inaccurate on outcomes with a disproportionate impact on the business objective.

→ ***Addressing aggregation.*** Most marketing AI doesn't make new decisions; it addresses old ones such as segmentation, targeting, and budget allocation. What's new is that decisions are based on richer amounts of information that are collected and processed by the AI. The risk here is that humans are, by and large, reluctant to change. Many managers haven't yet adjusted to the frequency and level of detail at which the new technology can make old decisions. But why should they keep making those decisions at the same pace? With the exact same constraints? As we saw earlier, this sometimes results in failure.

The way to solve this problem is by conducting two analyses. In the first, the team should examine how it could eliminate waste and missed opportunities through other marketing actions that might result from the predictions generated. The intervention that the team at the telecom firm considered was a retention discount. What if the team incorporated other incentives in the decision? Could it predict who would be receptive to those incentives? Could it use AI to tell which incentive would work best with each type of customer?

The second type of analysis should quantify the potential gains of making AI predictions more frequently or more granular or both. At one retailer, for instance, the data science team had developed AI that could make daily predictions of responses to marketing actions at the individual-customer level, yet the chain's marketing team was making decisions on a weekly basis across 16 customer segments. While changing the way the decisions were made would obviously incur costs, would the retailer find that the benefits outweighed them?

**MARKETING NEEDS AI.** But AI needs marketing thinking to realize its full potential. This requires the marketing and data science teams to have a constant dialogue so that they can understand how to move from a theoretical solution to something that can be implemented.

The framework we've presented here has proven to be useful for getting the two groups to work together and boost the payoffs from AI investments. The approach we've described should create opportunities to better align AI predictions with desired enterprise outcomes, recognize the asymmetric costs of poor predictions, and change the decisions' scope by allowing the team to rethink the frequency and granularity of actions.

As marketers and data scientists use this framework, they must establish an environment that allows a transparent review of performance and regular iterations on approach—always recognizing that the objective is not perfection but ongoing improvement. BT

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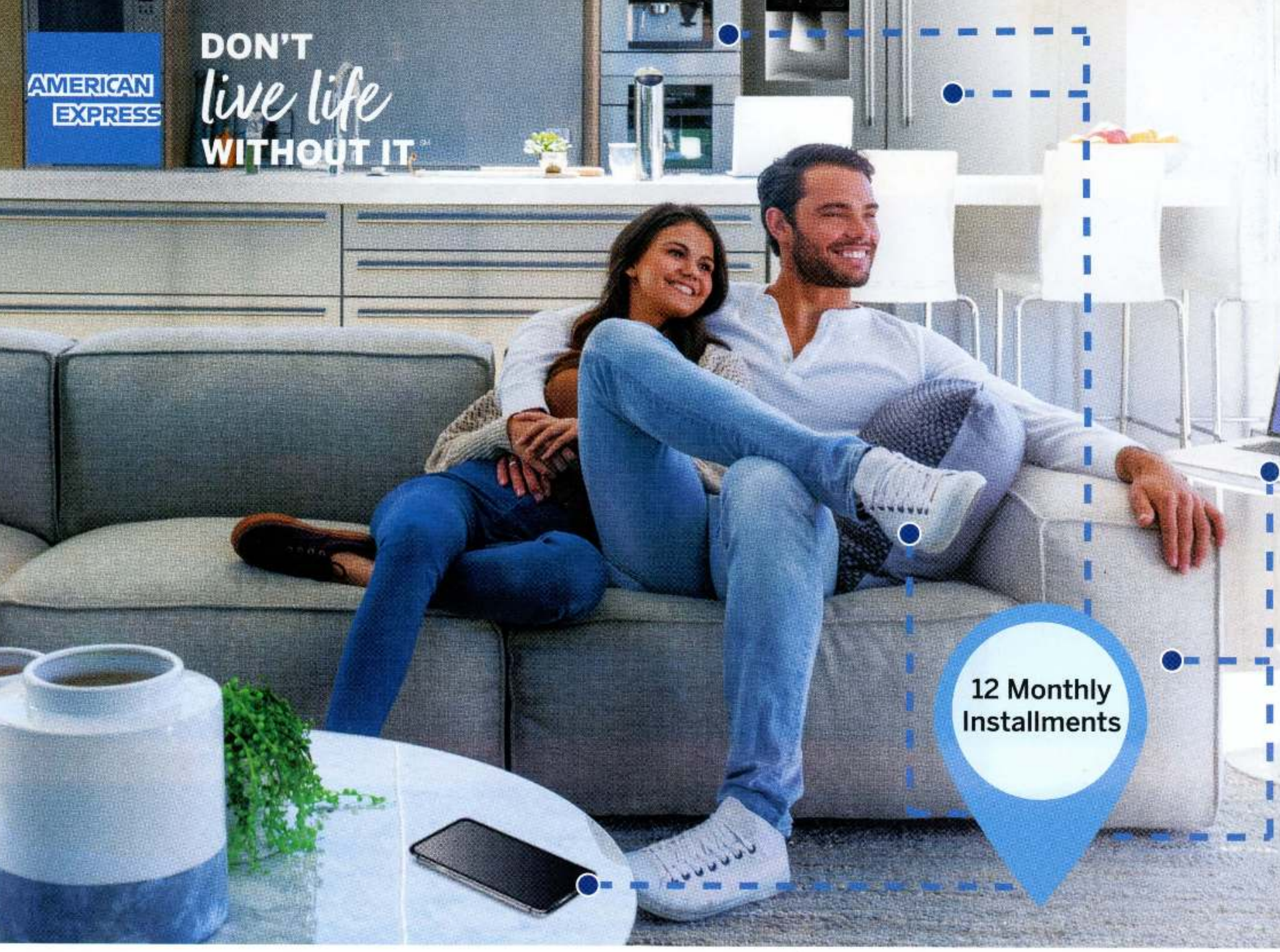


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