Deal Review

Another Day, Another Dollar...
Spent on B2B Software & Services Convergence

DataRobot – best known for its suite of leading AI software platforms specifically aimed at democratizing AI for the enterprise environment – announced a partnership last week with Boston Consulting Group ("BCG"). DataRobot acquired IP, SOURCE AI, from the BCG GAMMA team. BCG created SOURCE AI to allow analytics teams to quickly aggregate data from different sources, collaborate securely, develop and deploy models, run parallel analyses, and generate reports and dashboards.

The biggest takeaway from this transaction reinforces a trend we see often at Clearsight, that enterprise software is almost never satisfactory completely on its own for driving meaningful business transformation.

Key Takeaways

> Leading firms that have developed proprietary software systems are becoming acutely aware that enterprise software on its own, is often unable to drive the digital transformation their marketing departments have promised the end client

> Although the partnership demonstrates convergence, the divestiture of software assets from BCG illustrates that an enterprise software business like DataRobot is better positioned to monetize the actual IP (vs. a services firm such as BCG)

> We expect similar announcements from enterprise AI software firms (e.g. Dataiku) who have yet to announce a global, strategic partnership*

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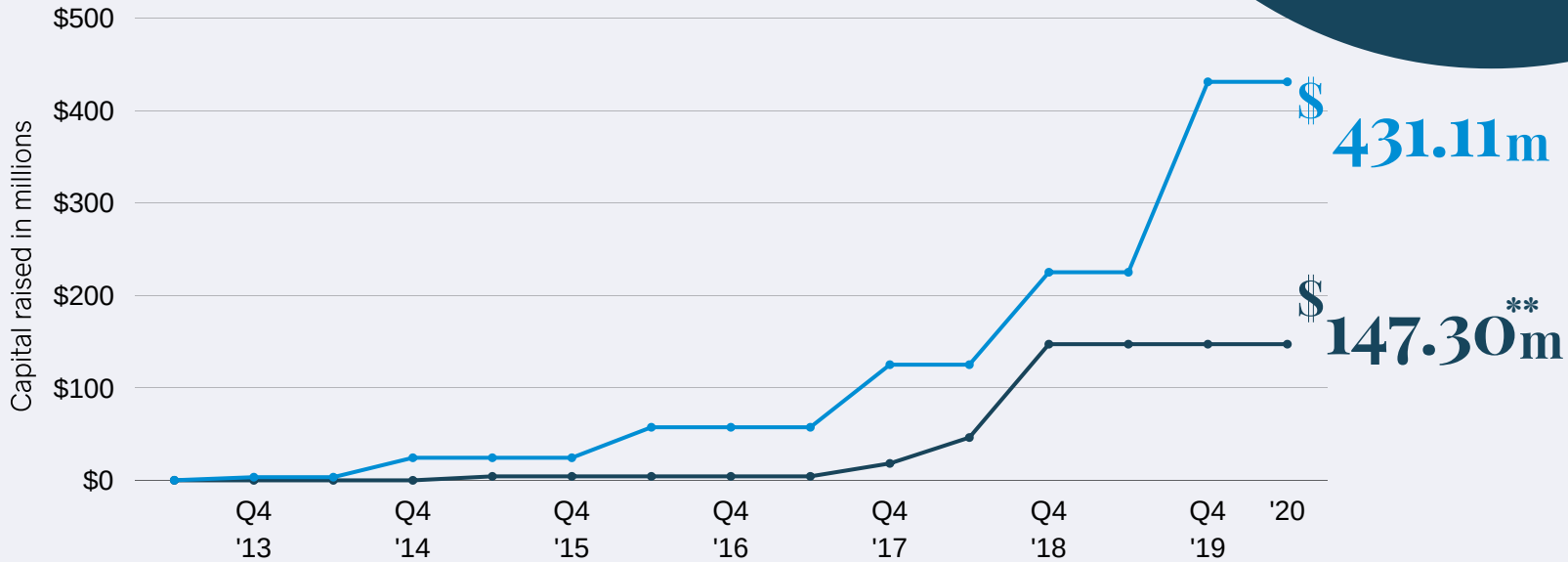"

As an investment bank at the convergence of services and technology, Clearsight is routinely called upon to explain why a 3rd party software manufacturer like Salesforce, Workday, ServiceNow, SAP, Oracle, etc. requires an ecosystem of professional services firms surrounding their products. Why don't the software manufacturers just provide the implementation and ongoing managed services themselves? How does DataRobot, after raising $400mm+ and growing its workforce to over a thousand people, benefit from the partnership with BCG?

In DataRobot's own words in a recent press release, "As organizations around the world increasingly deploy AI to steer decision making and bolster business performance, many struggle to deploy and manage models in production and derive value. In fact, a survey conducted by BCG and MIT Sloan Management Review found that seven out of ten companies report minimal or no impact from AI deployments."

DataRobot vs. Dataiku
Capital Raise Timeline

Capital raised in millions

$500
$400
$300
$200
$100
$0

Q4 '13   Q4 '14   Q4 '15   Q4 '16   Q4 '17   Q4 '18   Q4 '19   '20

$431.11m

$147.30m**

*Although no global partnership has been announced yet, Dataiku announced a collaboration with Deloitte France Mar '19
**Sourced from Pitchbook.com, Dataiku Mar 2019 VC investment undisclosed, total raised may be higher

If you simply pay for software and work with the Customer Success Team at DataRobot (or any other larger software provider), the chances your enterprise will benefit from the software alone, at an ROI acceptable to major stakeholders, is fairly low. However, if you contract with a consulting firm that has expertise building tangible solutions on top of the software you are paying for, designed for your specific industry vertical, and shared with the C-Suite of your organization, then the probability of satisfactory ROI goes up dramatically. Partnerships like the one between DataRobot and BCG are powerful in that the repeatability, consistency,

and quality of future AI deployments rises greatly as the two firms continue to collaborate.

As B2B technology continues to evolve, we at Clearsight remain eager to advise on innovative, exciting approaches to both cutting-edge technology and the groups of highly intelligent people that provide the consulting services necessary to create a winning formula for the end client. Stay tuned for more examples of convergence in the B2B software and services world, and please let us know if you have any questions.

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