Maximizing Opportunities: Shaping the Future for Growth Companies

Abstract

Beginning in March of 2023, we began to encounter a consistent theme with our clients. The U.S. banking crisis of 2023 (with banks such as Silicon Valley Bank, First Republic, and Signature, among others, at the forefront of the panic) began a cascade of circumstances that directly affected many high-growth companies directly, while others are just now beginning to feel the ancillary effects. And it was this event that led to us making significant adjustments to help our clients not only survive the storm, but in most cases, excel through the economic conditions.

Nonetheless, what became obvious was that the business landscape – especially for high growth companies – had forever shifted. In order to gain a better understanding of the shift in real time, we decided to interview industry leaders outside of our own client base. This provided a more extensive view, which we then documented in this white paper for the benefit of our current clients.

For growth companies, navigating the ever-shifting business landscape is crucial for success. Even more so over the last few years. A comprehensive understanding of customer preferences and emerging trends allows successful growth companies to make informed decisions. This knowledge empowers stakeholders to identify trends early, develop innovative products, and tailor marketing strategies for maximum impact. Just like a skilled sailor needs to read the currents and winds, growth companies that see around the curve can anticipate challenges, exploit opportunities, and propel themselves toward long-term sustainable growth.

Fintech: A Case Study in Consumer Demand

One industry in general that is a fast riser within the global economy is Fintech. However, the benefits of the rise in Fintech are not contained solely within Fintech but is indeed permeating nearly all sectors of the global economy today. The beneficial impact is even more pronounced for newer and fast-growing companies that have realized the opportunity for exponential growth within their own organizations' productivity. Because of this, it is worth discussing the Fintech industry for a moment, as our research and discussions continued to circle back to this emerging industry.

A decade ago, Fintech was a novelty to most, and an intrigue to the rest. Today, whether the average consumer knows it or not, Fintech is shaping nearly every aspect of their financial lives. From payments and mobile wallets, P2P lending, RegTech, Cybersecurity and Blockchain, InsurTech, to even Wealth Management, Fintech is reshaping the entire financial landscape.

However, what is largely driving this reshaping of the industry is the demand from consumers. Consumers are increasingly demanding ways which help them easily and efficiently access their financial transactions and exchange value. Much of this has been catalyzed since 2020, with the increase in working from home (WFH) and demand to shift from traditional conduct of business, such as visiting a local bank. Moreover, the desire to gain more direct control over their household's finances, instead of having to rely on a broker or other financial intermediary, where at all possible.

We are seeing the entire industry rapidly adjust to this increase in demand, including the regulatory authorities. Regulators are adapting to the Fintech revolution by creating frameworks that foster innovation while maintaining financial stability. This has an exponential effect on the growth – and demand of – Fintech, as the regulatory foundation is allowing for increased infrastructure to be built.

This infrastructure spans across nearly all domains, from intellectual, informational, enterprise, and also geographical. Some of the global financial players, like London, New York City and Singapore are all leaders in the Fintech revolution. However, we're also seeing the emergence of other cities, such as Miami, Atlanta, and even smaller local hubs vie for an increase in growth. The emergency of WFH combined with the rapid technological innovations have allowed for hubs to be centered in lower population centers. This will be an interesting trend to monitor as the industry continues to evolve, especially with systems such as Artificial Intelligence (AI) and Machine Learning (ML).

Emerging Trends Shaping the Future

It's difficult to go anywhere today, especially in the Fintech space, and not hear or experience some form of Artificial Intelligence (AI) and/or Machine Learning (ML). These are also the two most intriguing, and likely the two most impactful emerging trends in the Fintech industry today. While often cited in conjunction with one another, AI and ML are two separate terms. AI can be viewed as an umbrella under which more specific subcategories of AI like Machine Learning fall under.

Artificial Intelligence

For Artificial Intelligence in general, we are already seeing very practical and beneficial impacts for both businesses and consumers. AI is acting as a game-changer for growth companies, propelling them forward in several key ways. Firstly, AI automates repetitive tasks, freeing up human talent for strategic endeavors. Imagine AI handling customer service inquiries or streamlining data entry, allowing employees to focus on innovation, product development, and building customer relationships. Secondly, AI unlocks the power of data. By analyzing vast datasets, AI helps growth companies identify customer trends and market opportunities they might have missed. This allows for the creation of hyper-targeted marketing campaigns and the development of products that custom-fit customer needs.

AI can also analyze vast customer datasets to identify buying patterns and predict future trends. This allows growth companies to personalize marketing campaigns, target the right audience with the right message, and ultimately acquire customers more efficiently. We are seeing highly successful companies aggressively pursue this benefit with an increased focus on accurate forecasting.

Furthermore, AI empowers growth companies with intelligent decision-making. AI algorithms can analyze internal data to predict market shifts, optimize resource allocation, and identify potential risks. This data-driven approach fosters agility and helps growth companies navigate the ever-changing business landscape with greater confidence. Overall, AI is transforming growth companies from data-rich to data-driven, giving them the tools to innovate faster, adapt more effectively, and achieve sustainable growth.

From a business standpoint, we are seeing real-world profitability pick up. Ivan Tomic, CEO of Avio, identified the fields that he sees as best adapting to these trends, and the sectors his company is focusing on at the moment: "For Web3 and AI, we see extremely high growth for the next few years for what we've seen… more traditional sectors, like real estate, single to low double-digit growth, so we try to focus on high growth areas[1]."

Machine Learning

While certainly related to AI and considered by many as a sub-set of AI, Machine Learning has many specific benefits to growth companies today. More precisely, we are finding a few unique trends that highly successful companies we work with are either currently implementing, or actively pursuing ML with strategic initiatives.

ML is morphing many growth companies into data-driven powerhouses. At the core, ML excels at analyzing massive datasets to unearth hidden gems. This translates to sharper product development. By pinpointing customer preferences and market trends, ML empowers growth companies to create innovative products and services that resonate deeply with their target audience.

Furthermore, ML optimizes marketing campaigns. Gone are the days of scattershot marketing. ML algorithms can analyze customer data to identify the most effective channels and messaging, ensuring growth companies reach the right audience at the right time. This targeted approach maximizes marketing spend and fuels efficient customer acquisition.

Finally, ML fosters data-driven decision-making. Growth companies, often resource-constrained, can leverage ML to analyze internal data and predict future performance. This translates to smarter resource allocation and faster decision-making, propelling growth companies on an accelerated trajectory. In essence, ML is acting as a secret weapon for outlier companies, giving them the power to innovate with laser focus, market with surgical precision, and make data-driven decisions in real time that pave the way for explosive growth.

Personalization and Omnichannel Experiences

The modern customer journey is no longer linear. Customers interact with brands across various online and offline channels, expecting a seamless and personalized experience at each touchpoint. To win their

[1] Ivan Tomic, Avio, www.aviolab.xyz

loyalty, growth companies need to adapt their strategies to this evolving landscape.

Companies that are succeeding at this are able to create a winning customer journey. Although seemingly simple, consistency is absolutely a key differentiator between successful companies and those struggling for market share. To do so successfully, a company must ensure consistency in branding, messaging, and customer service across all channels (website, social media, mobile app, physical stores).

The next step in creating a winning customer journey is to properly implement customer data platform (CDP) integration. CDPs are used to unify customer data from various sources, enabling a holistic view of customer behavior and preferences.

Successful growth companies are hyper-personalizing the entire customer experience: tailor the content, recommendations, and marketing messages based on individual customer data and past interactions. Creating a frictionless customer experience is now the standard that creates repeat happy customers. In practice, this looks like streamlining purchasing processes, providing exceptional customer service, and/or offering seamless interactions across all channels.

How Winning Companies are Building a Successful Workforce

In today's competitive landscape, attracting and retaining top talent is critical for growth companies. There has been a tremendous shakeup in the labor market since 2020. From the “quiet quitting” phenomenon of younger generations to the work-from-home (WFH) shift, debates and positions on how to best attract and manage a successful workforce have persisted. However, upon our experiences and research we have found some common traits of successful high-growth companies.

First, those companies that have maintained a highly productive and motivated environment are those that have embraced remote and hybrid work models. This shift has been a massive factor in the ability to attract and retain top-tier talent. Many of the top performers in critical roles needed by these companies have not only chosen to work remote but have seen their performance and productivity increase. While this is certainly not true 100% of the time, it does seem to be an overwhelming trend from our experience and research. Some of the most cited reasons for this preference are likely unsurprising: better work-life balance; more time with family; hours saved per week in commuting; and a better overall mental and physical health by being able to take breaks outside, go for walks, and decompress between meetings better than in a traditional corporate office space. While these citations are subjective, they are a strong trend among successful companies.

Second, continuous learning and development. Companies that invested – one way or the other – in continual up-skilling and education not only saw an increase in engagement from their employees but was cited as another advantage to attract top talent.

Third, fostering a culture of reward. Employees who feel rewarded were much more satisfied and motivated in their current roles. While this may seem obvious, it was a notable trend. Anecdotal evidence points to employees feeling valued, which seemed to be an important factor.

Fourth, invest in the recruitment process. We compared two seemingly identical companies, yet often the difference between which company kept and retained the talent came down to how streamlined the recruitment process was. Companies that had a more drawn-out process were more likely to lose out on talent, all else equal. Moreover, being able to set a clear roadmap for next steps in the recruitment process was seen as a plus. And on the company side, utilizing targeted outreach strategies to recruit talent that best align with the company's culture and possess the specific skills that the company is looking for.

We spoke with the CEO at Loud Solutions[2], Oliver Peters. As Oliver put it, Loud Solutions was "created to offset the host of issues in the recruitment industry." As recruitment has shifted over the last four years and has become increasingly competitive for high-skilled talent, companies that can streamline the process for businesses are creating lasting success. Oliver described how Loud Solutions manages "everything across the four core pillars of people: search, selection, onboarding and retention."

Finally, and most obvious, is compensation. While this is pretty straightforward, one way that we were able to help a large client of ours was through an overall cost-reduction with direct initiatives. We were able to implement the strategic and management needs, but at a fraction of the cost. This enabled our client to free up a significant amount of capital that could then be used toward talent retention. Being able to compete for top talent in this current labor market is essential for growth companies to sustain over the coming decade.

Challenges

It was the banking crisis of 2023 that prompted our internal research. This was done in order to be better prepared and proactive against the coming changes, so that we could better position and serve our clients. As our research expanded, we included other high-growth leaders across several industries to give insight that could perhaps be outside of our experience. Specifically, we asked, *what is preventing you from getting to your goal?*

Oliver Peters (CEO, Loud Solutions) gave an answer that was reminiscent of many of our current clients. He stated that, "The capital markets have been terrible… In my opinion I think you're going to see slow and steady over the next 12 months… the market is shifting from high growth to profitability." He went on to describe that, from his vantage point, companies that are able to cut costs without cutting productivity will be the ones that will survive. In our experience, we have seen this to be true, as well. The ability for us to help increase growth and productivity, but at a fraction of the input costs, has been of immense value during this time.

Jake Roberts at GPT Ventures, a venture capital firm specializing in the payments industry, gave a well thought out response. This was especially interesting from the VC point of view.

"Standards are set in Europe, and growth happens in America. The problems that we're seeing in the industry… The market

[2] Oliver Peters, Loud Solutions, www.loudsolutions.com

we're in today, interest rates and everything else is playing a big factor – minus NVIDIA – LPs are wanting their money back. From an industry perspective, there are a lot of good companies out there, but from the financing side, it's very tough to get financing from a founder when expectations are pre-2023 and now we're in 2024 and the market hasn't got better, it's got worse. And you'll see from VCs, deal flows are going down. It's hard to temper expectations… It's very hard to have all of that dry powder in order to do Series A, Series B, Series C instead of bridge rounds. Right now I think the biggest factor of everything is just global economics. And the fact that it's an election year makes things tough. But good founders will be able to reduce burn and weather the storm, and the ones that don't really know how to manage finances well are going to have a problem[3]."

For Ivan Tomic, CEO of Avio, the biggest challenge he foresees is the current funding issue from the banking crisis. However, he was more optimistic, stating that, "I do think that the SVB crash did affect a lot of startups… however, the Southeast Asia sectors are still going strong. So it's a quick market to bounce back… depends on the banks and where the money is flowing."

When asked what is one thing that companies can solve to help increase their growth in this market, Sidney Delva of Wyrr stated that, "It's crucial for whomever is either the chief strategy officer or head of sales, to be able to show product-market fit.[4]"

[3] Jake Roberts, GPT Ventures, www.gptventures.com
[4] Sidney Delva, Wyrr, www.wyrr.app

Takeaways

It is clear that the emerging technologies and shifting trends within the labor market are dramatically changing the landscape for businesses, especially high-growth companies. We are also seeing a clear acceleration in these changes in consumer demand. As we looked at the Fintech industry as a clear example, there is a feeding mechanism that is being witnessed between the products and technology offered by companies, and the increasing demand for more innovation and simplicity by the consumer base. This has resulted in an even faster race to the top for growth companies.

Whether it be AI, ML, IOT, or the new omnichannel approach, innovation both within a company – and embedded within the products and services that a company provides – is as crucial as ever to stay competitive in this current environment. Moreover, with the global macroeconomic environment presenting significant challenges, it is critical for high-growth companies to find ways to be more productive in their inputs while reducing their costs, simultaneously. These challenges, as we have both directly and indirectly witnessed, are due to (among other reasons) the 2023 banking crisis and it's on-going effects for the venture capital market; the on-going elevated inflation levels which impacts both producers and consumers; and the continued high interest rate environment.

Because of these challenges, finding solutions to make growth companies nimbler, have lower input costs, and able to execute with consistency is essential. One critical way that we have found continued success in bringing high growth companies to achieve success in this environment is to add top industry talent in a fractional role. We recommend focusing on revenue increasing roles, such as sales, go-to-market engines, and marketing. And finally, ensuring that all three components are working in sync as a unified element is critical. By building a fractional team of industry experts around these components, companies have saved as much as 3X or more in total input costs, while simultaneously accelerating their gross revenue. This seems to be a winning formula in this new environment for high-growth companies.