Venture, AI, and Search

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the morning paper

an interesting/influential/important paper from the world of Cs every weekday morning, as selected by Adrian Colyer

A Year in Papers
DECEMBER 14, 2015

We’ve reached the end of term again, and I’m taking a break from writing up papers over the holidays – a chance to replenish my backlog and start planning for 2016 too! I want to see what I can do to improve the readability of the site as well. The Morning Paper will resume on the 4th January.

In a moment I’ll share with you the top 10 most read and most tweeted papers, plus some of my own picks. But first a quick look back over the year. Through the course of 2015 I’ve posted 206 paper write-ups on The Morning Paper plus a few original pieces and other miscellaneous posts. That means I’m now at over 300 paper reviews in total since themorningpaper began. It’s amazing how a little every day adds up over time!

I’d like to say a huge thank-you to everyone who’s been following along, I love all the interaction that the papers lead to. And if you’re not yet subscribed to The Morning Paper and you’re looking for a New Years Resolution, signing up to the mailing list will get you

blog.acolyer.org

500+

• Foundations
• Frontiers
30+ years of investing

300+ investments

125+ mergers or sales

100+ public offerings
Investing Around the Globe

* The map above only shows a small sampling of current and past portfolio companies
Build Unique Search Experiences

Hosted Search API that delivers instant and relevant results from the first keystroke
Fight fraud with AI

69,855,269
INSURANCE CLAIMS ANALYZED TO DATE
Agenda

- Investment and the startup lifecycle
- What business are you in?
- From research to reward
- Defensibility
- Can’t we just get acquihired for talent?
- Let’s talk about Rocket.ai...
- Advice for founders
Decreasing risk / increasing confidence

Increasing valuation

$ seed

founding team

vision

Launch

Customer Discovery

Customer Validation

Customer Creation

Scale

TEAM

MARKET

METRICS

Investment and the startup lifecycle
A 7-8 year journey
You’re not competing for money...!

Inside a VC firm

Partners

Venture Partners

Associates

Your Board

Partner time is the limiting factor
What business are you in?

Foundational AI Technologies

All enterprise departments & industry verticals experiencing change

Legal  HR  Accounting  Security  Sales  Marketing  Dev Tools

Next generation of vertical software will be AI-enabled
Who’s in your team?

- **Technology expertise**
- **Domain knowledge**
- **Commercial focus**

- Pure & Applied.
  - Product, Service, DevOps...

- Want to make money!
  - Understanding of business model, go to market

- Strong empathy with customer.
  - Know the industry and how it works.
  - Contacts
How do you get a #1 hit single?
A business machine

Core idea from your research


Dave McClure’s Metrics for Pirates
Going the distance
(aka defensibility)
(aka castles and moats)

- Proprietary data?
- Proprietary algos?
- Rate of innovation??
- Virtuous cycles
- User experience
- Brand
- Ecosystem
- Pricing model???
- ...

Accel
What gives you the right?

Right to be forgotten

Explicit consent
Specific purpose

Right to data

GDPR
Automated profiling

Right to an explanation
Non-discriminatory
Everyone’s buying AI startups...

Can’t we just get acquihired?

Tech Firms’ AI Acquisitions
2014-2016

Source: CEB
Go big or don’t go VC

This is a public version of a Microsoft ThinkWeek paper that was recognized as top-30 in late 2009

Online Experimentation at Microsoft

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Distribution of winners

Unicorn: http://discoverie.deviantart.com/art/Winged-Unicorn-400901130
Ownership implications

Reminder: you’re competing for a partner’s time...

• When the company wins big, the fund needs to win big too
• Often prefer to invest *more* money in return for a meaningful ownership stake

20%
Recap: some of the things we look for

- Team
  - Passion
  - Technical & domain expertise
  - Commercial instincts
  - Situational awareness
- Market size
- Metrics (& Models)
- Defensibility
- Data flows
- Preference for companies towards the top of the stack
  - but not exclusive
- A good story!
- Deal structure
Let's talk about Rocket.ai
So you’re doing AI/ML/DL/...
AI in Europe 2015

Source: Machine Learning Prepared Mind, Sep 2015
Europe 2016
Investment pipeline

First call or meeting: 1000 (25%)
In-depth meeting: 250 (50%)
Engaged process: 125 (75%)
Partnership presentation: 30 (50%)
Term-sheet presented, deal done: 15

Let's talk about Rocket.ai
Fundraising advice

- Get Noticed
- Manage your campaign
- Know your business
- Understand Investor wants
Company building advice

- Start small
- Think big
- Grow in control

(Ruth Rogers, on starting a restaurant business)
Advice from Nicolas Dessaigne, CEO Algolia

• Forget about TREC! Find a real problem that customers care about :)  

• One of the next big trends is going to be conversational UIs (not limiting ourselves to chatbots here). It's a super interesting area as search is going to be at the core of it, having knowledge of both the application data and the users intent.
Remember: everyone starts small...
Thank you!
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