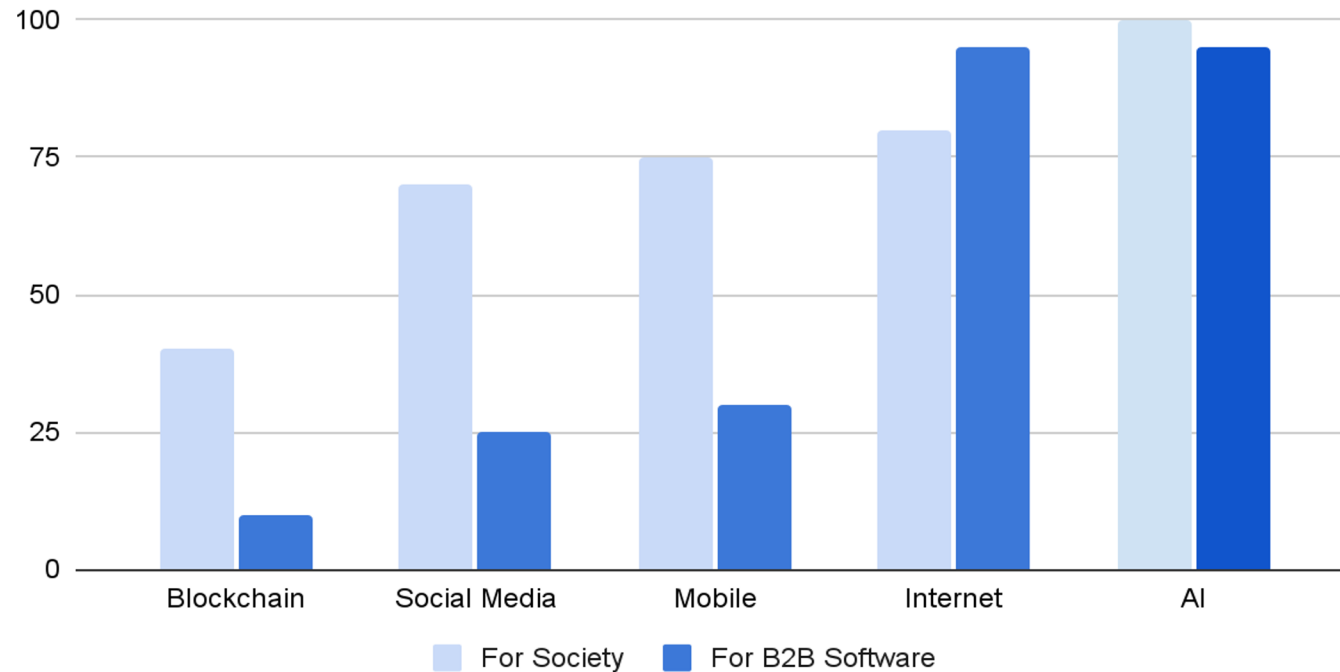


Impact of AI on B2B Software

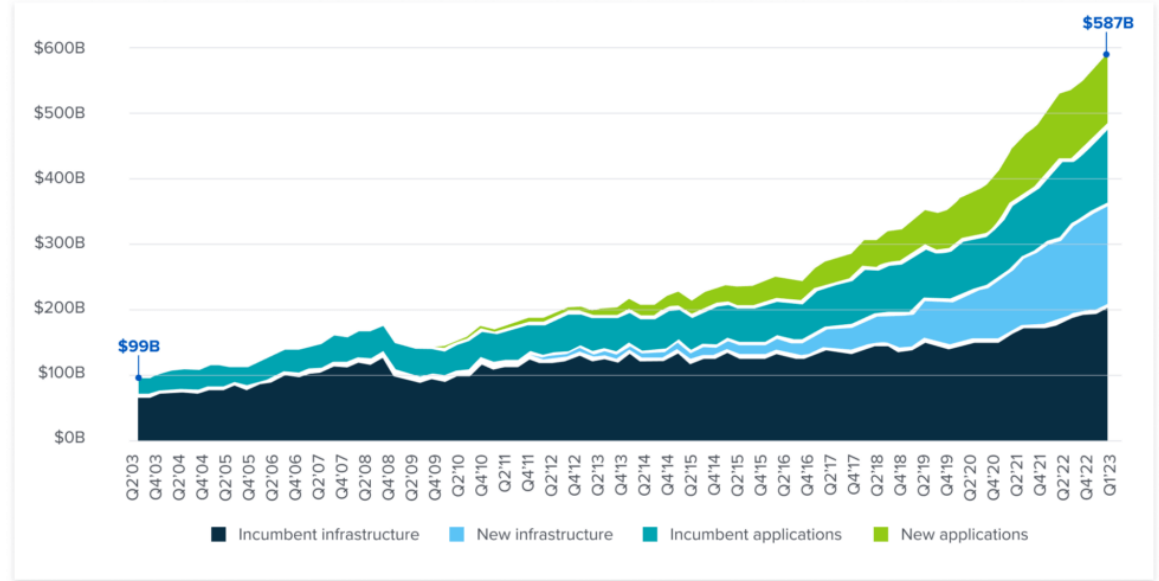
In B2B software, will AI be an “iteration” or a “disruption”?

Tech Disruption Potential



The Internet Seemed Disruptive, not Iterative, to B2B Software...













Annual run-rate revenue generated by public B2B software companies



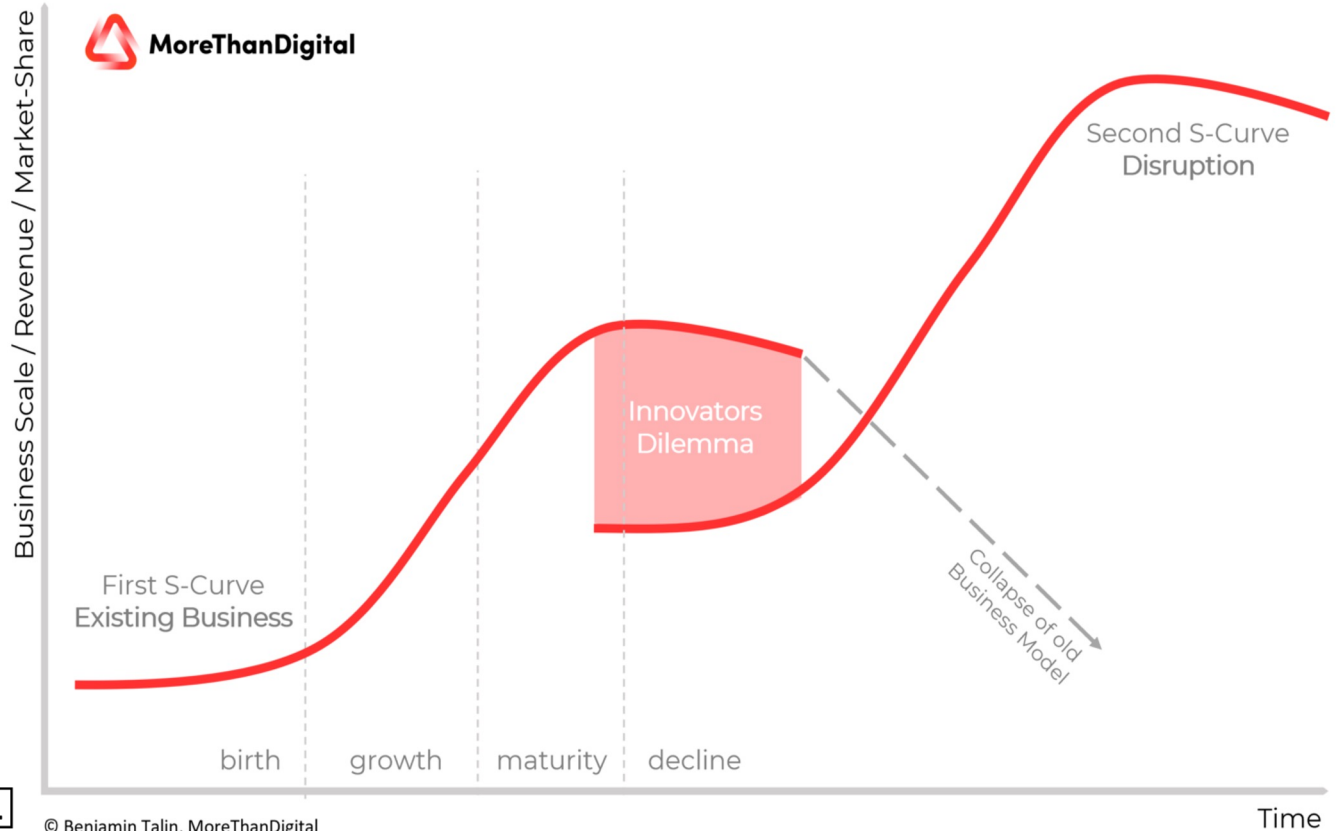
Source: a16z analysis of 262 software companies that were public between Q2 2003 and Q1 2023.

Note: Incumbents are defined as companies already public in Q2 2003, while new entrants are those that went public later. Of the big 3 cloud computing platforms, Microsoft Azure is classified as an incumbent, but Amazon Web Services and Google Cloud Platform as new entrants.

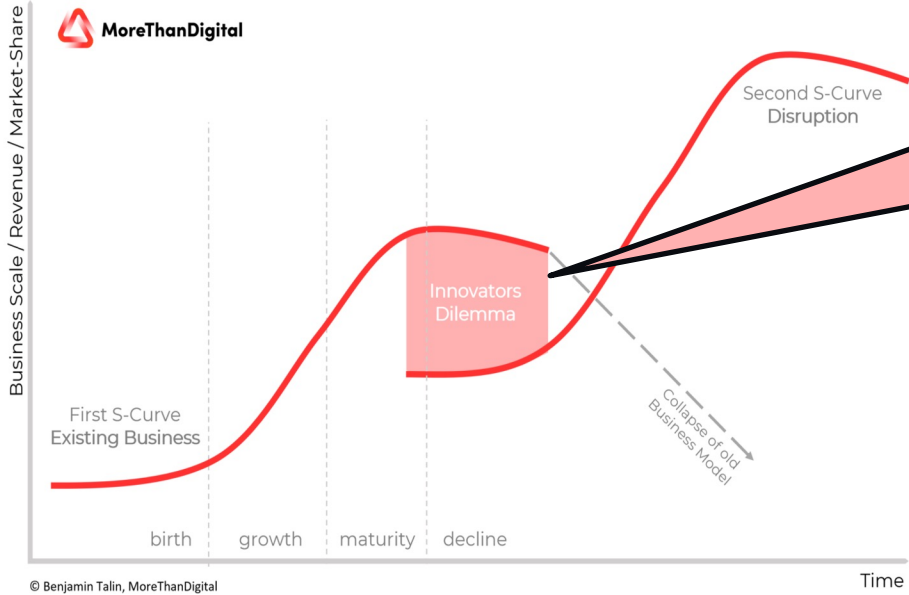
... with the Cloud-Native Disruptors Capturing the Category Growth

<u>CATEGORY</u>	<u>ON-PREM INCUMBENT</u>		<u>CLOUD-NATIVE DISRUPTOR</u>
CRM			
HRIS			
ITSM			
ERP			

“Disruption” vs. “Iteration” Evaluated through The Innovator’s Dilemmas Framework



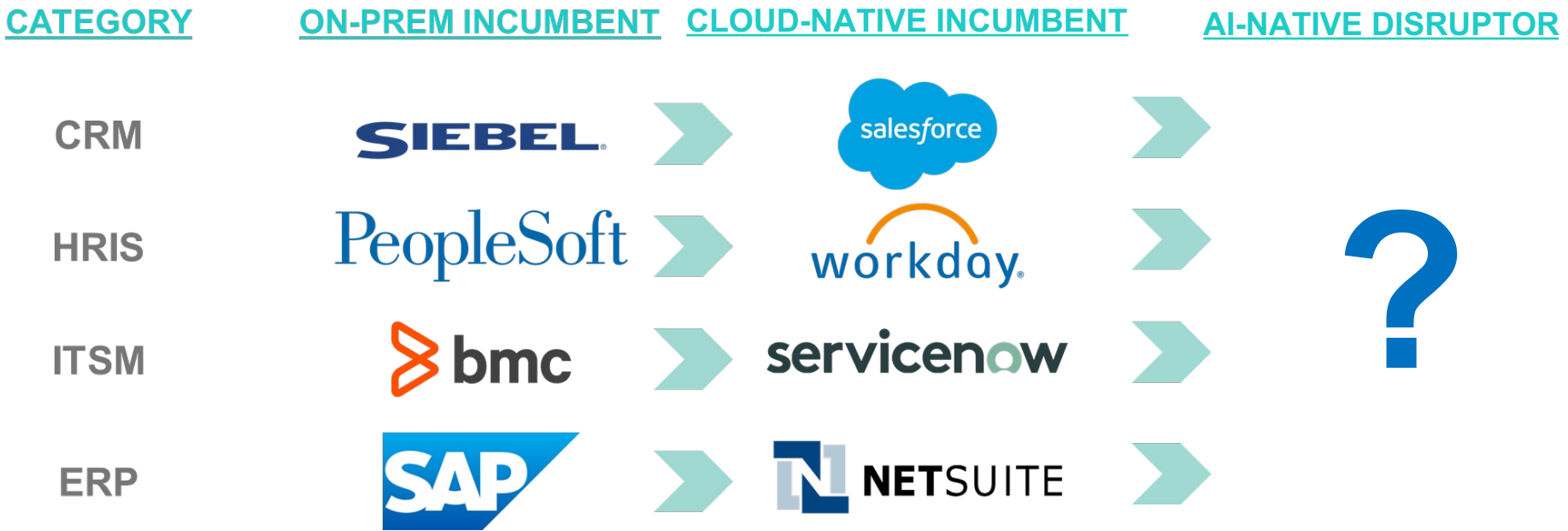
Innovators Dilemmas in the Shift from On-Prem to Cloud



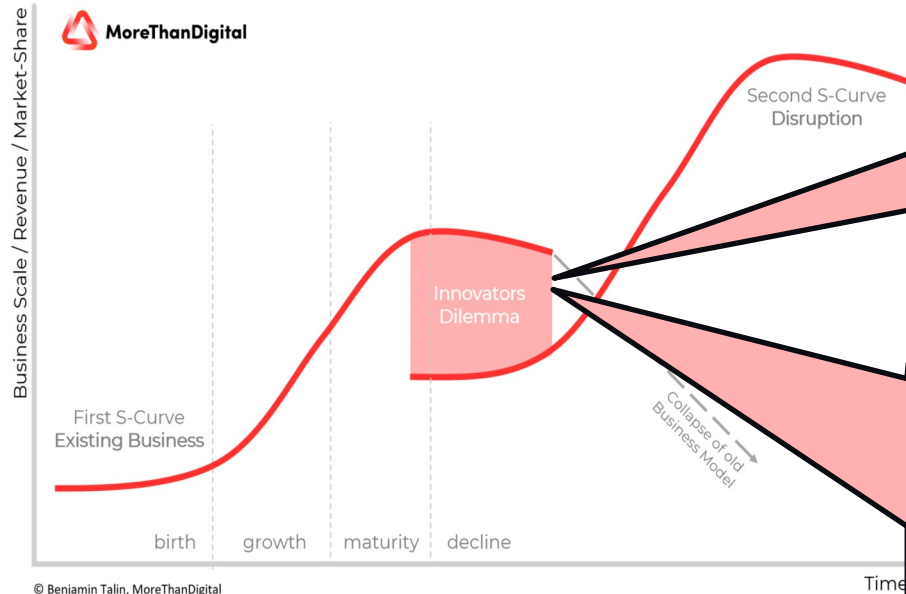
Innovators Dilemmas: On-Prem -> Cloud

- Re-platform on Cloud architecture
- Shift to subscription pricing
- Adopt MQL, PLG, and/or inside sales distribution

Do Innovator's Dilemmas exist for B2B Software as we Transition to AI?



Potential Innovator's Dilemmas in the Shift from Cloud to AI?



Innovators Dilemmas: On-Prem -> Cloud

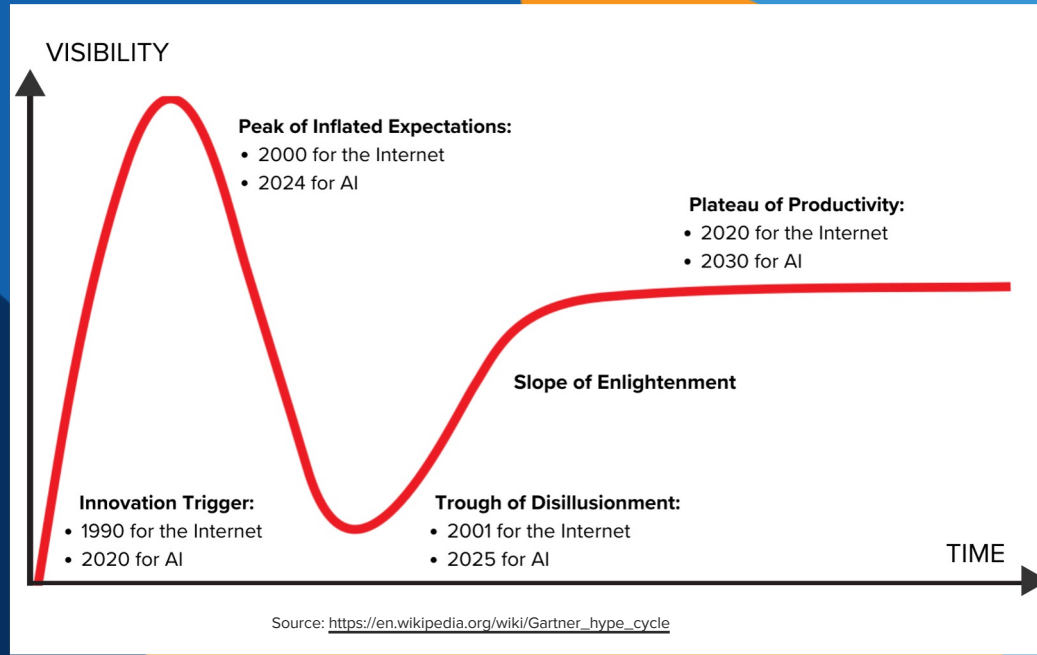
- Re-platform on Cloud architecture
- Shift to subscription pricing
- Adopt MQL, PLG, and/or inside sales distribution

Potential Innovators Dilemmas: Cloud -> AI

- Elimination of seat-based pricing
- Significant ACV reduction from exponentially lower R&D and distribution cost
- Software output value no longer reliant on human input
- Shift from Ops supporting front-line humans to humans supporting front-line Ops.
- Proprietary data access
- Watermark legislation
- AI talent acquisition
- Service-as-a-Software (AI agents)

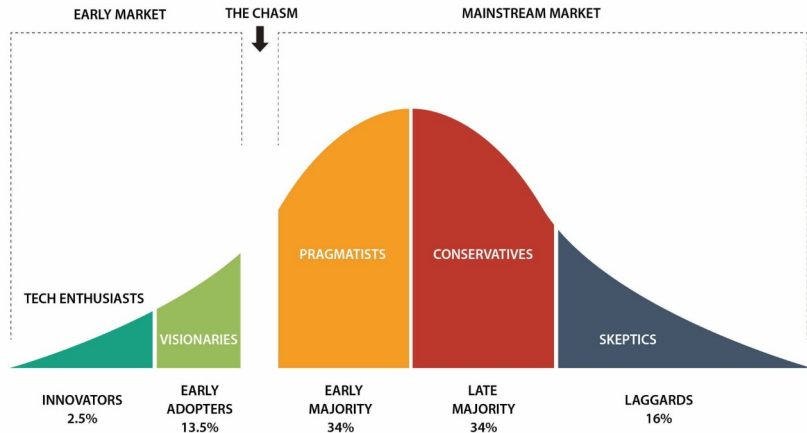
AI may follow the Gartner Hype Cycle

If so, \$10s of Billions will be invested in the next 2 years and 90% will be lost. Proceed with caution.



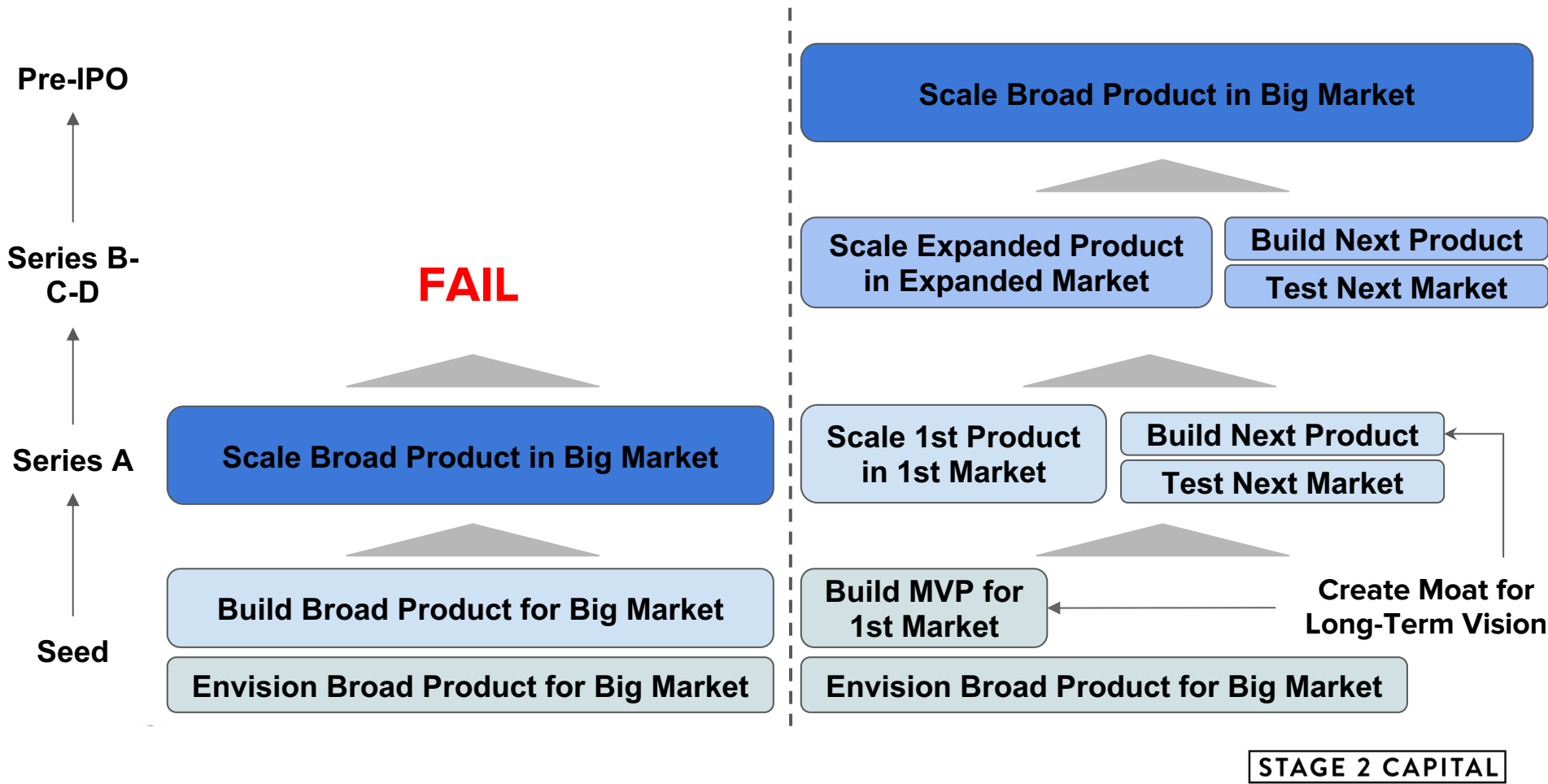
How will the problem you
solve today be solved in
a post-AI world?

At the same time, the market and/or tech are not ready for the disruptive visions yet. So what should you do?



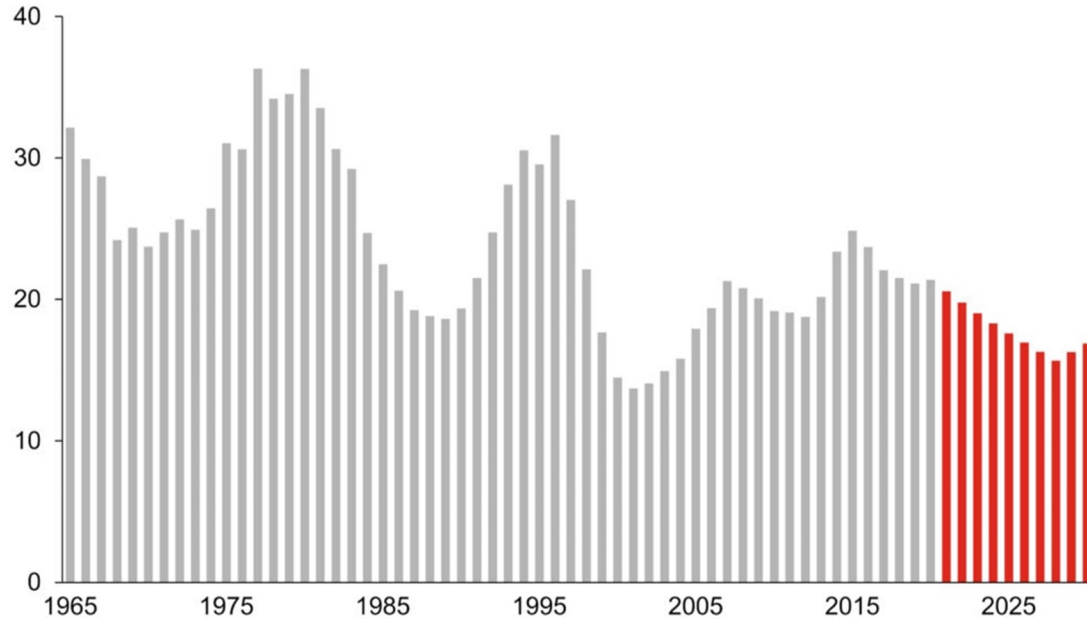
<https://omniplexlearning.com/blog/technology-adoption-curve-stages/>

The Old Adage “Design Big, Start Small” is highly applicable at this moment



History is On the Disruptor's Side

Chart 1: Average company lifespan on S&P 500 Index in years (rolling 7-year average)



Data: Standard & Poor's; Innosight analysis based on public S&P 500 data sources. See endnote on methodology.