Enterprise Vertical SaaS Case Studies
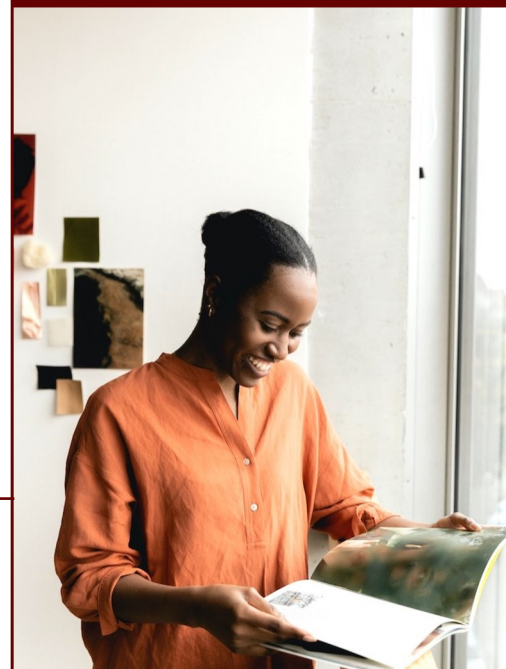
Harlem Capital

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Executive Summary and Key Takeaways

Enterprise Vertical SaaS Overview

- **Enterprise Vertical SaaS** refers to software solutions designed to meet the needs of a specific industry or vertical's enterprise-scale operations.

- At Harlem Capital, we have held a long-standing conviction in Vertical SaaS and are particularly excited about Enterprise VSaaS's attractiveness for early-stage investment.

- Enterprise VSaaS holds key advantages that make it ripe for investment, including:

    1. Higher Customer Lifetime Value (CLV)

    2. High Switching Costs

    3. Existing Customer Budgets for Software Spend

    4. Higher Barriers to Entry

Enterprise Vertical SaaS vs SMB Vertical SaaS

	Enterprise Vertical SaaS	SMB Vertical SaaS
Target Market	Large **enterprises**	**Small to medium-sized** businesses
Sales Cycles	**Longer** sales cycles	**Shorter** sales cycles
Pricing Model	**Higher** pricing points, can be tailored to specific enterprise's contract needs (ACV: >$100k)	**Lower** pricing points, more standardized (ACV: <$10k)
Implementation Time	**Longer** implementation times, often requiring professional services	**Faster** implementation, mostly self-service
Customer Acquisition Cost (CAC)	**Lower** CAC, as more direct avenues to get ahead of customer base (ex: trade shows)	**Higher** CAC, marketing efforts to wide base
Security + Compliance	**Greater** cybersecurity considerations and data compliance with industry served	**Simpler** cybersecurity considerations, less regulatory compliance risk
Annual Contract Values (ACVs)	Often **year to year contracts** that operate on auto-renew basis	Typically **month to month contracts**, increasing the risk of churn
HCP Portfolio Companies	AllieHealth, Fintary, Procision, Kipsi	Trashlab, Docdraft

Enterprise VSaaS Keys to Success

Through this report, we have identified **4 key insights** for Enterprise VSaaS companies:

1. Extensively Validate the Problem

2. Partnerships and Integrations are Key to Scale

3. Catalyst Events and Marquee Customers are the Accelerant

4. Leverage Existing Solution to Increase TAM

Key Takeaways for Early-Stage Enterprise Vertical SaaS Companies

Extensively Validate the Problem

- Every company evaluated had a period of spending time directly with customers to develop a clear picture of the pain points faced.

- Building a successful VSaaS product requires a large TAM in the vertical addressed, and this must be extensively validated and researched before and while building.

- Especially on founding teams where there was less previous expertise in the issue (ex: Guidewire) this process was longer and more detailed.

nCino	Guidewire Software	Mark43	Tekion
Tested software extensively within Live Oak Bank's operations, got feedback from community and regional banks before rolling out to enterprise scale	Asked to observe insurance companies for an hour, offering in return a summary of their findings for free. Almost 100% response rate as companies were eager to share problems	Joined ride-alongs and shadowed law enforcement officers to understand workflows	Bought two car dealerships to test product rollouts with real customers

Key Takeaways for Early-Stage Enterprise Vertical SaaS Companies

Partnerships and Integrations are Key to Scale
- With the lengthier sales process involved in Enterprise VSaaS, a quick strategy to gain customer adoption is by either partnering with existing distributors in the space or integrating with existing workflows to make for quicker adoption.

nCino partnered with **Accenture** to access faster implementation services

Blend boasts it's "built for integration", with over 60 integrators to minimize friction

Tekion's partnership with **General Motors** offered quick access points to scale

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Catalyst Events and Marquee Customers are the Accelerant

- Enterprise VSaaS brings a higher **adoption curve** that requires greater conviction to sign the first contracts.

- However, once a **catalyst event** occurs or **marquee customer** is signed, it gives the solution enough credibility to scale much faster.

Guidewire Software

Marquee Customer: CNA Financial

Blend

Catalyst Event: Launch of Rocket Mortgage in 2015 → Became instant competitor for banks as customers could now apply for mortgages online → Banks looked to digitize their offerings; Blend offered perfect solution

Mark43

Marquee Customer: Washington D.C. Metro Police Department

Clarify Health

Catalyst Event: Launch of Qualified Entity Certification Program by CMS in 2013 → Gave Clarify the ability to access extensive Medicare claims data → New data points allowed them to bolster their data analytics capabilities, making product more attractive

Key Takeaways for Early-Stage Enterprise Vertical SaaS Companies

Leverage Existing Solution to Increase TAM

- When investing and building a company in VSaaS, an important consideration is the **size of the TAM** to understand the ultimate growth potential of the company.

- As VSaaS growth is dependent on the vertical tackled, finding opportunities to **expand TAM** remains an important consideration as the company scales.

- Once the initial core offering gains enough traction, we've observed that one way to increase the TAM of the solution in the same vertical is by creating a **reduced and more affordable version** of this offering for non-core personnel and/or to serve smaller scale customers beyond enterprise.

nCino Lite
The Lite version of nCino serves users not typically involved in the lending process, but who could still benefit from read-only access to the platform.
Launched 2 years after core offering (2014)

InsuranceNow
InsuranceNow, or "Small Guidewire", is a more affordable version of InsuranceSuite focused on serving regional and super-regional insurers.
Launched 10 years after core offering (2017)

IMB Essentials Edition
Blend serves Independent Mortgage Banks (IMBs) through a reduced feature offering focused only on critical features that is significantly lower in price.
Launched 8 years after core offering (2023)

Methodology

Methodology

1. Determine key players in the **public markets** that met the following criteria:

    a. Served **enterprise size** clients

    b. Were founded later than **2000**

    c. Designed to serve a specific **vertical**

2. Determine key players in the **private markets** that met the above criteria as well as:

    a. Reached **unicorn** valuation ($1B+)

3. Gather insights from each company using a **case study** format, including the industry they disrupted, their product offerings, and timeline to scale.

4. Determine key commonalities among these companies and present most valuable **insights** for early-stage founders.

Case Studies
Public Markets
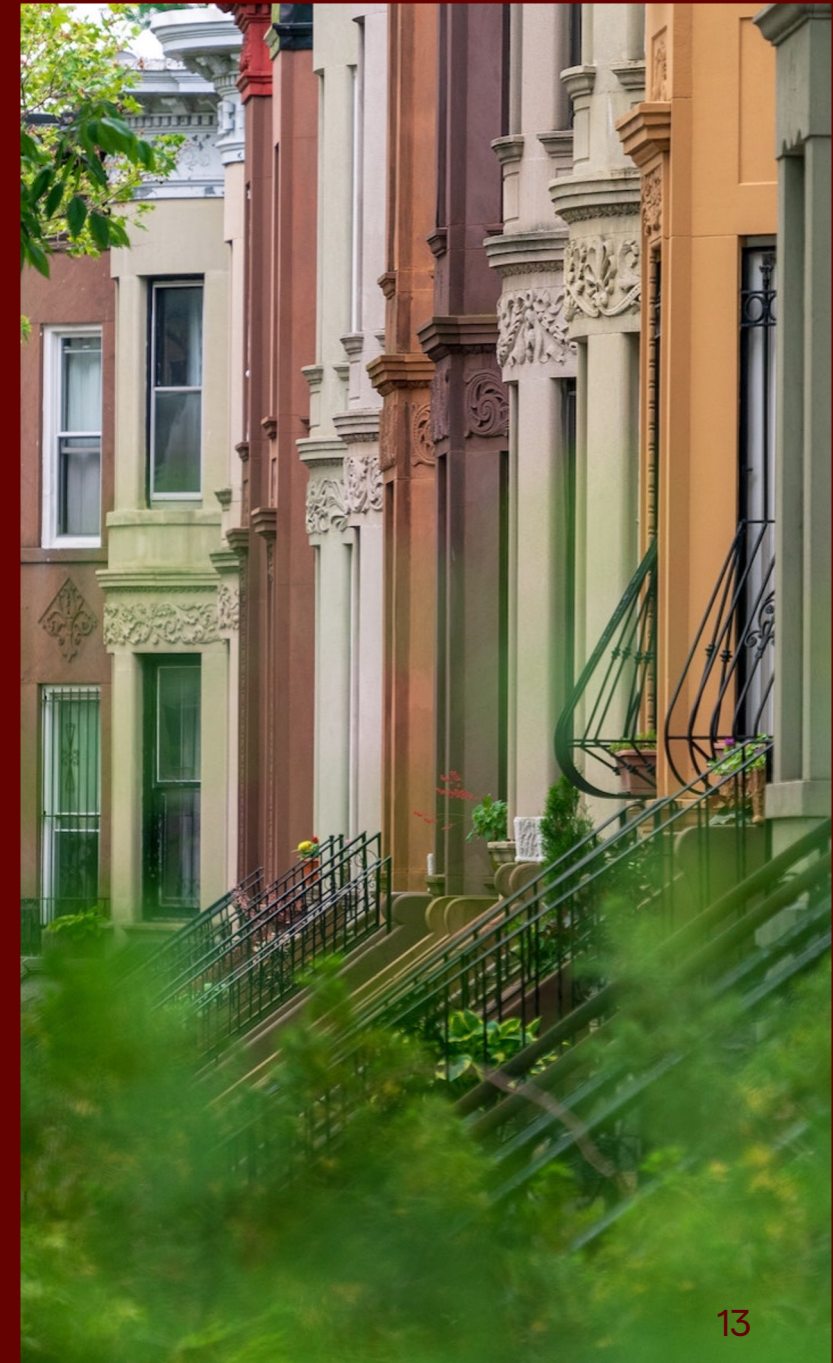
nCino - Operating System for Banks and Credit Unions

Vertical Served	Core Offering
Banks and Credit Unions	nCino Bank Operating System

- Founded in 2011, **nCino** is a cloud banking software that provides financial institutions with capabilities such as business intelligence, customer relationship management, and loan origination

- Starting off as a solution for community and regional banks, nCino has evolved to a solution that serves over **1750 financial institutions** globally ranging from community banks to multinational institutions

- Key differentiators include the **adaptability** of the system, the ability to house **data all in one** platform, and proven **efficiency growth** for customers who have migrated from legacy systems

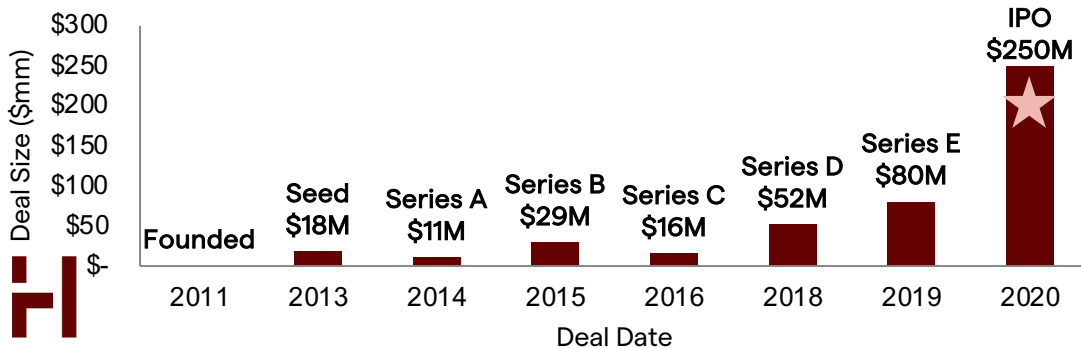# nCino - Operating System for Banks and Credit Unions

Industry Dynamics

- Key players were Legacy Software companies
  - FIS: founded 1968
  - FISERV: founded 1984
  - Jack Henry: founded 1976
- These companies were not building a cloud strategy at the time, allowing nCino to rise to prominence
- These companies were disliked from smaller banks due to their inconvenient contract terms and poor performing digital offerings
- nCino saw opportunity in creating a solution that went against the existing fragmented on-premise solutions

KeyBank   **TRUIST**   **us bank**   **AIB**

Key enterprise customers at IPO

Funding Timeline

Deal Size ($mm) vs Deal Date

- Founded — 2011
- Seed $18M — 2013
- Series A $11M — 2014
- Series B $29M — 2015
- Series C $16M — 2016
- Series D $52M — 2018
- Series E $80M — 2019
- IPO $250M — 2020

Co-Founder Background

Pierre Naude
- **Technical Background**
- Not much startup experience, but had extensive experience working in software
- Now Chairman and Chief Executive Officer of nCino
- *"I'm a tech guy who knows banking, not a banking guy who knows tech."*

Chip Mahan
- **Banking Background**
- Trailblazer in moving Live Oak Bank's operations completely to the cloud
- Now Chairman and CEO of Live Oak Bank, the bank where nCino spun out from

Founder Archetype

Star	Hustler
Veteran	Academic

- First employees were primarily bankers to help understand the regulatory nature of the banking space
- Both did not have startup experience but led managing positions in respective fields

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nCino - Operating System for Banks and Credit Unions

Key Contributor to Success

Market Timing
- Industry lagged behind in developing cloud-based solutions
- Consumers were migrating towards more digital lives and desiring **digital banking solutions**
- **Regulatory tailwinds** as financial services institutions were looking for more comprehensive compliance tools after 2008 financial crisis

Product Timeline

Year	Event
2011	Founded in Wilmington, NC as a spin out of Live Oak Bank
2012	Launched **Commercial Banking Operating System**, its first product aimed to make loan origination more efficient • 25 customers in community and regional bank sectors
2014	• First introduced product to large enterprise-scale banks, signed 3 banks with AUM >$68B, total 81 financial institutions • Introduced **nCino Lite**, reduced feature version of their Operating System to expand TAM
2016	Ended year with over 130 financial institutions in portfolio
2017	Launched **nCino Analytics** to give banks greater reporting power
2019	Announced launch of **nCino IQ** (AI/ML software)
2020	**IPO - 1100 bank + credit union customers, over 900 employees, 7 global offices, $138 million annual revenue**
2021	*Acquired SimpleNexus to quickly advance their mortgage origination suite*

Things to Note

1 **Long sales cycles at IPO:**
- Smaller financial institutions: 6-9 months
- Larger financial institutions: 12-18 months

2 **8 acquisitions** to date, acquisitions have been strategic to expand product offerings vertically

3 Sold their software on a seat-based business model until 2023, where they shifted to a **platform fee-based pricing model** to minimize risk in their business model

Revenue Mix

At IPO

20% / **80%**
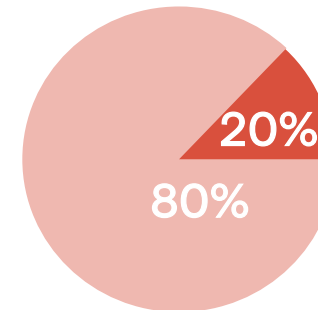
Professional Services Revenue
- Implementation cost, ranges in length depending on organization size

Subscription Revenue
- Subscriptions charged annually in advance
- Contracts ranged from 3-5 years

Fiscal year 2024: 83% Subscription, 17% Professional Services

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Veeva - Cloud-Based Software for the Global Life Sciences Industry

Vertical Served	Core Offering
Life Sciences	Veeva Vault

- Founded in 2007, **Veeva** is a platform that aids life sciences clients in streamlining their operations, ensuring compliance, and managing their data across various functions

- Starting off as a pharma CRM, Veeva has grown to become a **multi-line product company** that has shown consistent YoY revenue growth, and is utilized by top global pharmaceutical, biotech, and medical device companies worldwide

- Key differentiators include its extensive **product line**, strong regulatory compliance, and strategic **acquisitions** (12 to date)
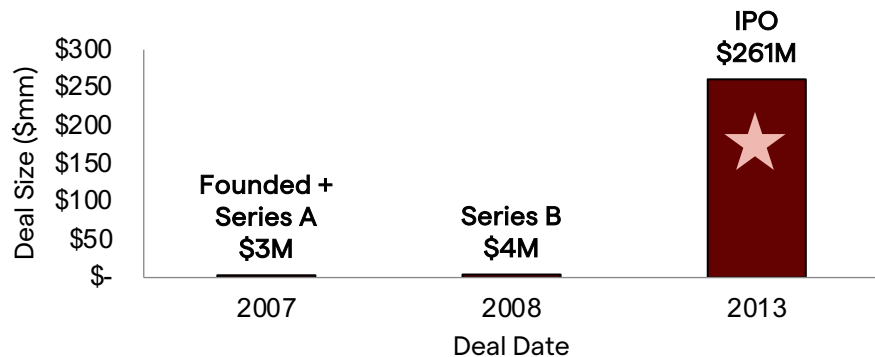
Veeva - Cloud-Based Software for the Global Life Sciences Industry

Industry Dynamics

- Companies used **separate software solutions** for various functions (CRM, compliance, management, etc.), creating data inefficiencies
  - Siebel Systems (on-premise CRM)
  - Documentum (required significant IT support)
  - Medidata (didn't integrate with other systems)
- Clinical trials were becoming more complex and expansive, requiring solutions to be **scalable**
- Software built for healthcare industry had high **regulatory barrier** to entry, as had to work around patient privacy laws
- **Veeva was able to combine these siloed solutions into one platform that offered scalability with companies' growing demands**

Key enterprise customers at IPO

Funding Timeline

Deal Size ($mm)

IPO
$261M

★

$300
$250
$200
$150
$100
$50
$-

Founded +
Series A
$3M

Series B
$4M

2007   2008   2013

Deal Date

Co-Founder Background

Peter Gassner
- **Technical Background**
- Started career as a developer at IBM, moving on to lead technology teams at PeopleSoft and Salesforce
- Now CEO at Veeva
- *"When you think about it, when a trend is early, everybody thinks you're wrong. That's the definition of being early. I have this knack of doing that."*

Matt Wallach
- **Health Sciences Background**
- After starting career off in consulting, Wallach worked for 9 years in various management roles at health science companies
- Now Board Member at Veeva

Founder Archetype

Star	Hustler
Veteran	Academic

- Both worked way up to management level at respective organizations
- Highly accomplished in both their specialties, equipping them to found a startup with no prior experience

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Veeva - Cloud-Based Software for the Global Life Sciences Industry

Key Contributor to Success

Network Effect
- As more early customers such as sponsors and clinical research sites adopted the platform, they were forced to **exchange data electronically** through the product
  - This encouraged more and more organizations to utilize Veeva's solution, creating a **network effect** that propelled their growth

Product Timeline

2007	Founded in Pleasanton, CA with aim to build a pharma CRM on Salesforce
2008	Launched **Veeva CRM** to serve biotech and pharma industries' sales teams
2010	Launched **Veeva Vault,** a content management platform • Went after a market segment larger than first segment with greater TAM (R&D teams vs sales teams)
2012	Over 150 customers signed, 16 on Veeva Vault
2013	**IPO - 170 customers, 593 employees, 111% YOY revenue growth**
2015	Introduced **Veeva OpenData**, a customer data solution for life sciences • **Veeva Vault** (2nd product introduced) overlook the **Veeva CRM** as the lead revenue generator for Veeva
2017-2018	Continued launching products like **Veeva QualityOne and Veeva Vault CDMS** • Customer count grows to over 400
2019	*Acquired Crossix Solutions, a cloud-based healthcare marketing analytics platform that is now integrated with Veeva's CRM*
2022	Veeva announced that it would not renew its contract with Salesforce

Things to Note

1 **Never sold their professional services for free:** Gassner believed that it was "a problem if we can't sell services, because we're doing something wrong"

2 **Advice to be strategic about becoming a multi-product company:** "Pick a clear market that's clearly big. You won't know if it's correct until later. We say pick clear and correct markets." - Gassner in 2017

3 **2022 decision to move off Salesforce** offers opportunity to move into more regulated industries (consumer products, chemicals) that they weren't originally able to do with Salesforce agreement - further increasing their TAM

Revenue Mix

At IPO

43%
57%
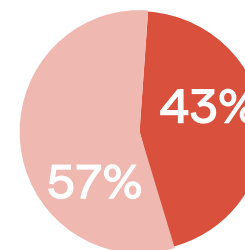
Professional Services Revenue
- To deploy product effectively, decreases in proportion to subscription revenue over time

Subscription Revenue
- Subscriptions 1-3 years in length
- Auto renew basis

Fiscal year 2024: 83% Subscription, 17% Professional Services

Guidewire Software - Industry Platform for Property and Casualty (P&C) Insurance Carriers in the US and Worldwide

Vertical Served	Core Offering
Property and Casualty (P&C) Insurance Carriers	InsuranceSuite

- Founded in 2001, **Guidewire Software** provides applications to aid insurance providers in functions such as underwriting, policy administration, billing, and claims management

- Starting off solely as a claims management system, Guidewire now serves over **450 insurance providers** around the globe with their flagship InsuranceSuite software and their smaller, more affordable InsuranceNow offering

- Key differentiators include its vast range of **partnerships**, years of **domain expertise**, and **flexible** deployment options
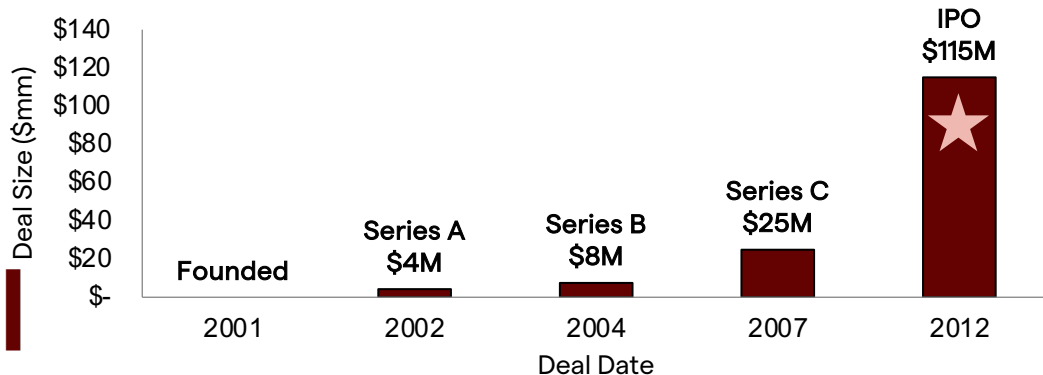
Industry Dynamics

- Technology in insurance industry was decades **old legacy software**
  - Not just uncomfortable, but were prone to making **systematic mistakes** → economic losses
- Learned through interviews that current software was too **constraining** and that customers wanted to pick and choose their features
  - Constant regulatory changes required **adaptable** system while still desiring to keep costs low
- **Guidewire identified that this industry was ready for disruption, and developed an agile solution that could decrease the errors being made and improve data management**

Key enterprise customers at IPO

Amica AUTO HOME LIFE   **ZURICH**   **MERCURY INSURANCE**   **SUNCORP**

Funding Timeline

Deal Size ($mm)

$140				IPO $115M
$120				
$100				
$80				
$60				
$40				
$20		Series B $8M	Series C $25M	
$-	Founded	Series A $4M		
	2001	2002	2004	2007	2012

Deal Date

Co-Founder Background

Marcus Ryu
- Worked as engagement manager at McKinsey & Company before working at software company Ariba as VP of Strategy
- Served as CEO of Guidewire until 2019
- *It is one thing to get feedback in a room away from their operations, it is completely another to sit in their operations and "see their pain"."*

SAP Ariba

KANA.

...and 5 other Co-Founders
- **Ken Branson, James Kwak, John Raguin and Ryu** from Ariba (software company) product teams
- **John Seybold and Mark Shaw** from Kana Software engineering teams

Founder Archetype

Star	Hustler
Veteran	Academic

- Highlighted that he didn't have experience with insurance, but held quality of always seeking more opportunities to learn
- Did free short consulting studies with insurance companies to learn more about pain points and gain credibility

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Guidewire Software - Industry Platform for Property and Casualty (P&C) Insurance Carriers in the US and Worldwide

Key Contributor to Success

Network Effect
- Strong ecosystem of **systems integrators** help onboard firms onto platform without need for internal outreach
- Offers curated **app marketplace** on insurance platform to increase reach
  - Furthermore, creates high switching costs as companies become increasingly reliant
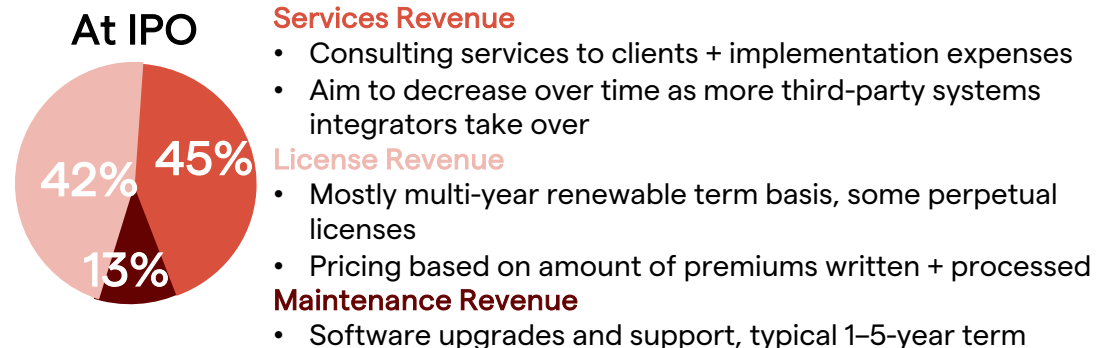
Product Timeline

Year	
2001	Founded in San Mateo, CA
2003	Released their first product, **ClaimCenter**, a claims management system for insurance companies
2006	Introduced new product **PolicyCenter**, a policy administration system • 20 customers signed
2007	Launched **BillingCenter**, a billing management system • In combination with previous two products, completed core insurance software suite
2012	**IPO - 101 customers, 577 employees, 144.7mil revenue, became first tech company to go public**
2013	Launched **Guidewire Live**, their first cloud-based solution • *Acquired Millbrook Inc. to better address data challenges that occurred when moving insurers off of legacy software*
2017	Launched **InsuranceNow**, a completely cloud-based system built on AWS aimed for smaller insurers that did not need full InsuranceSuite offerings • Customer count exceeds 200

Things to Note

1. Key to their growth has been successful partnerships with **large systems integrators**, which has helped them land new customers
   - **PartnerConnect** system has more than 24,000 professionals that help deliver Guidewire software to organizations

2. **Use vertical product offerings as an entry point:** Started off with businesses adopting 1-2 core applications → full suite, but over time, large firms started to evaluate full suite at once

3. **Don't be discouraged by long sales cycles:** Took **18 to 24 months** to get their first enterprise size customer, then another **18 months** to sign another one

Revenue Mix

At IPO

45% / 42% / 13%

Services Revenue
- Consulting services to clients + implementation expenses
- Aim to decrease over time as more third-party systems integrators take over

License Revenue
- Mostly multi-year renewable term basis, some perpetual licenses
- Pricing based on amount of premiums written + processed

Maintenance Revenue
- Software upgrades and support, typical 1–5-year term

Fiscal year 2024: 57% Subscription and support, 23% Licenses, and 19% Services

Blend - Cloud-Based Software Platform Solutions for Financial Services Firms

Vertical Served	Core Offering
Financial Services	Mortgage Suite

- Founded in 2012, **Blend** helps financial services institutions digitize their offerings to simplify key processes between consumers and lenders

- Starting off with the goal of streamlining the mortgage application process, Blend has expanded to offer both **mortgage lending solutions** and **consumer banking capabilities**, serving a wide TAM

- Key differentiators include its stellar **founding** team, addition of their consumer banking platform to **reduce risk**, and frequent **product enhancements**

Blend - Cloud-Based Software Platform Solutions for Financial Services Firms

Industry Dynamics

Blend started off as a platform to specifically serve the **mortgage lending** sector before expanding further.

- All data in mortgage industry was held on paper and **analog**
  - This caused the average time to process and approve a mortgage to be **lengthy**
- After **2008 financial crisis** third party services started to handle mortgages, needed help with volume
  - These parties were more open to tech-based solutions
- **Blend capitalized on these tailwinds to convince banks their solution was worth the burden of migrating data for**

us bank **M&T Bank** **TRUIST HH** **WELLS FARGO**

BMO Harris Bank

Key enterprise customers at IPO

Funding Timeline
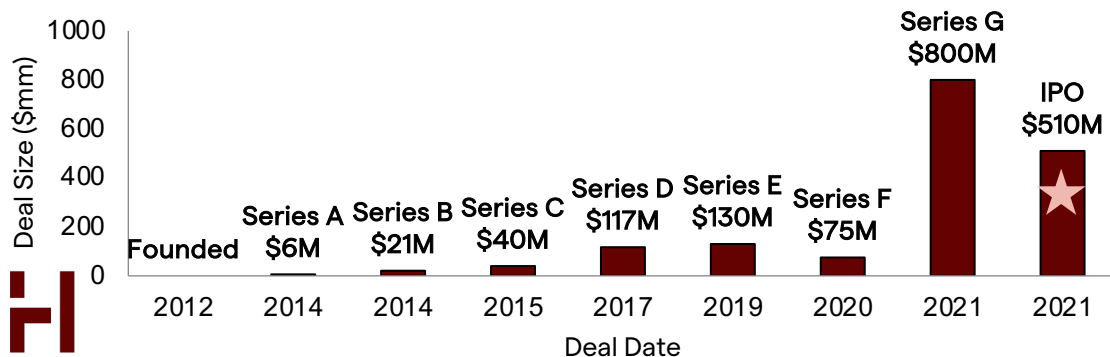
Co-Founder Background

Nima Ghamsari
- **Business and Tech Background**
- Worked in Business Development at Palantir
- Now CEO of Blend
- *"I felt like I as a technologist who had seen this space and really understood this space to some extent would be able to go in and make a real impact."*

...and 3 other Co-Founders
- **Eugene Marinelli** with software background from Google, Apple, and Palantir
- **Erin James Collard + Rosco Hill** with financial expertise from Clarium Capital Management

Founder Archetype

Star	Hustler
Veteran	Academic
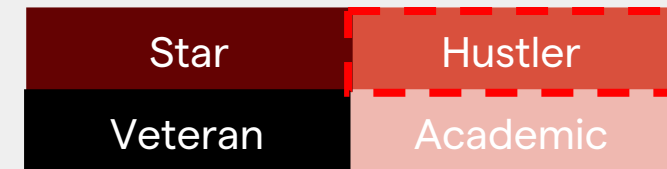
- Paid his way through college as semi-professional Poker player
- Startup experience from working at Palantir in very early days
- Ghamsari went to startup after 4 years at Palantir, lesser time working in industry

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Blend - Cloud-Based Software Platform Solutions for Financial Services Firms

Key Contributor to Success

Market Timing
- The launch of consumer mortgage platform **Rocket Mortgage** in 2015 forced banks to search for quick ways to offer digital mortgage lending functionality to compete
- This, combined with the ongoing tailwinds from the **2008 financial crisis,** meant that the industry was primed for Blend's entrance

Product Timeline

Year	Event
2012	Founded in San Francisco, CA
2015	After 3 years spent building core technology platform, Blend launched its **digital mortgage platform MVP**
2016-2017	Continued adding features onto its mortgage platform, including third-party integrations, consumer portals, and mobile-friendly features • About 30 customers signed
2018	Blend expanded beyond traditional mortgages to launch solutions for home equity loans and Home Equity Lines of Credit, increasing their reach • Blend exceeds 100 customers
2019	Introduced **Consumer Banking Suite** • Helping diversify risk away from the cyclical nature of the mortgage industry • $50.67M in revenue
2020	Grew rapidly from COVID-19 housing boom
2021	IPO -- 291 customers, 577 employees, $96.0M revenue in 2020 • *Acquired Title365 to quickly integrate title and settlement functionality into the loan process*

Things to Note

1 Achieving the first customer is the hardest part: Especially in an industry that has never adopted technology before, in the early days of Blend (2012-2014) it was difficult to gain support from banks who were hesitant to be the first movers

2 The right hiring decision can be what gives you credibility: In 2019, Blend hired Tim Mayapoulos, the former CEO of Fannie Mae, as President, opening the market to serve government-backed mortgage finance securities (GSEs).

3 Timing is crucial: Blend launched their marketplace element only after their core digital mortgage platform experienced established success. Don't move too early in trying to create a layer cake strategy

Revenue Mix

At IPO

Software priced based on completed transactions - not abandoned or rejected applications
- Final fee also factors in specific type of software components that are used in transaction
- Success-based model to align incentives with customers' desires
- 1.4 million completed banking transactions in 2020

Marketplace arm where consumers can be matched with carriers, immaterial revenue but aiming to grow post-IPO

Public Company AI Scorecard

By mapping out the AI offerings across public companies, we've identified the most popular ways to integrate AI.

- All 4 public companies utilize AI to assist in their **data aggregation + decision making frameworks**, using AI to accelerate their product's effectiveness
- 3 companies have developed their own internal **AI agent** as well as partnered with **existing AI organizations.** Leveraging existing AI tools provides a quick way to adapt to the ever-growing AI landscape without needing to hire an additional team to build the functionalities

	nCino	Veeva	Guidewire Software	Blend
AI Agent	X	X		X
Customer Service				X
AI Powered Search				
Cybersecurity & Fraud Prevention			X	
Data Aggregation	X	X	X	X
Decision Making Assistance	X	X	X	X
Acquisition(s) in AI	X	X	X	X
AI Partnerships	X	X	X	
Total Features (8)	**5**	**5**	**5**	**5**

Case Studies
Private Markets

Mark43 – Cloud-Based Public Safety Software for Law Enforcement to Ensure Accurate Responses

Vertical Served	Core Offering
Law Enforcement	Records Management System (RMS) and Computer Aided Dispatch (CAD)

- Founded in 2012, **Mark43** is a cloud banking software that streamlines operations for law enforcement agencies and public safety organizations through records management and computer-aided dispatch software

- Starting off as a tool developed in a Harvard engineering class group project, Mark43 has grown to serve over **120 law enforcement agencies** in the US and internationally

- Key differentiators include the **frequent updates** to the system, the **comprehensive cybersecurity** emphasis of the company, and its **trusted reputation** from numerous successful implementations

Mark43 – Cloud-Based Public Safety Software for Law Enforcement to Ensure Accurate Responses

Industry Dynamics

- Police offices were reliant on two types of data management workflows
  - **Outdated on-premise legacy systems** that required manual input in several different places
  - **Writing paper reports** that could be easily lost and prone to human error
- Legacy vendors stayed key players due to locking customers in with extensive **long-term contracts**
  - Not just uncomfortable, but were prone to making mistakes
- Lack of **centralized data** meant that data analysis was limited
- **Mark43 looked to digitize the law enforcement industry and help use data for better decision making**

Funding Timeline

Deal Size ($mm) — y-axis: $-, $20, $40, $60, $80, $100, $120

- 2012 Founded
- 2013 Seed $2M
- 2015 Series A $11M
- 2016 Series B $27M
- 2017 Series C $38M
- 2020 Series D $50M
- 2021 Series E $101M
- 2024 Series F $40M

Deal Date

*Reached unicorn valuation
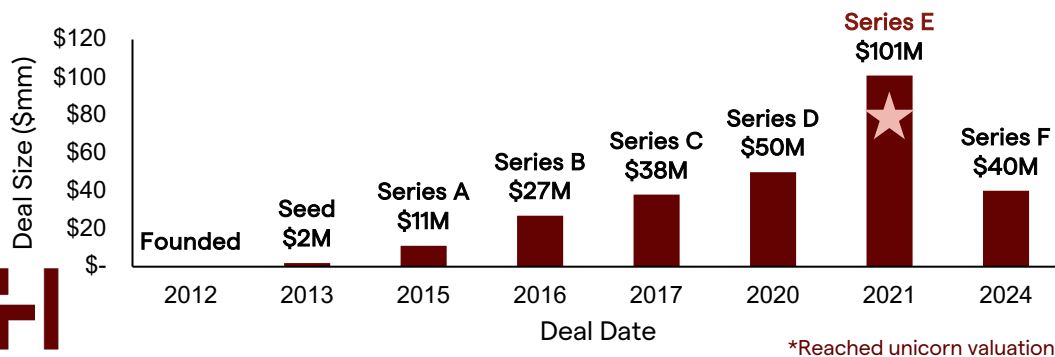
Path to Success

Software Completely Housed on the Cloud

- Main competitors (ex: Tyler Technologies) were migrating on-premise solutions to the cloud, while Mark43 built **cloud-native solution**
- This helped with adaptability and scalability

End-to-End Solution

- While competitors targeted one specific feature, Mark43's **comprehensive** solution with multiple functionalities made them a more attractive product

Marquee Customers Signed to Build Conviction

- Large police forces of **Washington D.C.** and **Seattle** used Mark43's solution early on, demonstrating its credibility to scale with further customers

Built on AWS

- Only RMS and CAD platform built on **AWS GovCloud**, not migrated from on-premise solution
- Efficient and frequent software **updates** for customers
- Easier **security** assurance for customers, especially relevant for public safety companies

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Mark43 – Cloud-Based Public Safety Software for Law Enforcement to Ensure Accurate Responses

Founder Archetype

Scott Crouch
- **Engineering Background**
- Started Mark 43 straight out of getting his B.S. in Electrical Engineering from Harvard
- Family members in NYPD and FDNY in 60's and 70's
- *" I felt like I as a technologist who had seen this space and really understood this space to some extent would be able to go in and make a real impact."*

HARVARD UNIVERSITY

...and 2 other Co-Founders
- **Matt Polega and Florian Mayr:** Both similar engineering backgrounds straight from Harvard Undergraduate

Founder Archetype

Star	Hustler
Veteran	Academic

- Classically exceptional throughout high school and college
- Received first check for Mark43 during final year at Harvard, meaning no previous work and startup experience

Lessons for Success

1 **The importance of the product roadmap:**
- They implement a voting process with key talent across product, business development, and client solutions. Each person gets to distribute points across features, which goes into a collective debate before locking in the product roadmap
- However, they emphasize that while they lock in the product roadmap for a quarter, it is crucial that it stays flexible to adapt to any new client demands

2 **Leverage funding to land the first marquee customer:** Mayr does not believe that they could have landed their first big deal with the D.C. Metro Police Department without having their first $2mm raised to show conviction from investors.

3 **The product matters to reduce the sales cycle:** The co-founders believe that even in the more reluctant to adopt GovTech space, their differentiated product helped make their sales cycles lower, as it made customers more eager to adopt the solution
- *"It's not incumbent upon the customer base to make themselves more informed. It's incumbent on the vendors. There's not a lot of vendors in the government space trying to educate their customers."*

Clarify Health – Healthcare Data and Analytics Platform Built to Power the Business of Better Care

Vertical Served	Core Offering
Healthcare	Clarify Analytics Platform

- Founded in 2015, **Clarify Health** focuses on improving healthcare delivery through analytics and data integration, helping organizations better understand their performance to optimize care

- Through taking traditionally siloed data from mismatched sources and unifying it into their data set, Clarify Health serves over **150 healthcare organizations**, including providers, payers, and life sciences companies

- Key differentiators include its ability for real-time **predictive modeling**, focus on **value-based care**, and extensive **machine learning/AI applications** for data analysis

Clarify Health – Healthcare Data and Analytics Platform Built to Power the Business of Better Care

Industry Dynamics

- Health data was stored in **multiple different locations,** preventing health providers from performing analytics due to not having comprehensive data set
- From 2013-2014, push towards **value-based payment models** instead of fee for service models
- Additionally, CMS regulation changed to allow **Qualified Entities** – now can get access to Medicare claims data for analytical purposes
- Clarify Health uses this data to create predictive models that help make faster decision making for payors, health plans, and pharma
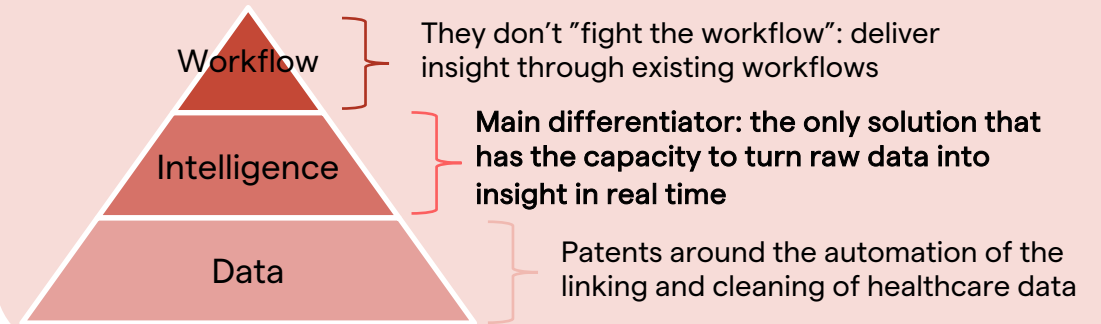
Funding Timeline

Deal Size ($mm) vs Deal Date bar chart:
- 2015: Founded
- 2016: Series A $6M
- 2018: Series B $57M
- 2019: $25M
- 2021: Series C $115M
- 2022: Series D $150M ★

*Reached unicorn valuation

Path to Success

Clarify
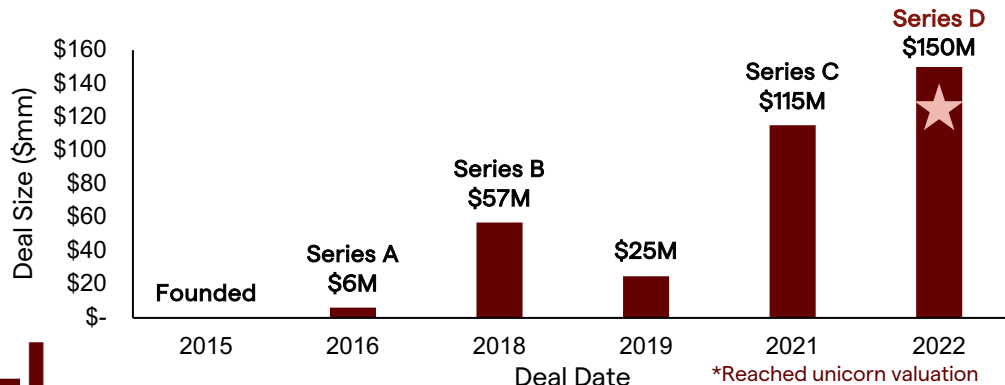
Layer Cake Strategy   *Uses layer cake to differentiate*

Pyramid (top to bottom): Workflow, Intelligence, Data

- Workflow: They don't "fight the workflow": deliver insight through existing workflows
- Intelligence: **Main differentiator: the only solution that has the capacity to turn raw data into insight in real time**
- Data: Patents around the automation of the linking and cleaning of healthcare data

Facilitates Easy Adoption

- Put data insights directly into **existing workflows** (ex: EMR) so it minimizes disruption
- Even though most of industry is still fee-for-service, Clarify offers incentives for organizations to transfer to the fee-for-value contracts they are built for

Focus on Value-Based Care

- Only building products for value-based service models, allowing for more tailored product offering
- Very conscious of not losing **focus of this** as they add on new products

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Clarify Health – Healthcare Data and Analytics Platform Built to Power the Business of Better Care
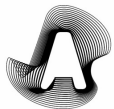
Founder Archetype

McKinsey & Company

ADVENT

Co-Founder **Jean Drouin** brought healthcare background working in McKinsey's Healthcare IT and Digital practice

Todd Gottula – Founder and President
- **Engineering Background**
- EVP and CTO at Advent Software, enterprise software expertise
- Chemical Engineering degree from CalTech
- Was inspired by the potential to work in an industry with impact
- *"It's not just about learning the new stuff, but it's also learning about the way in which medicine has been practiced in the past and the controls and the safety and the concerns that individuals have about changing practice."*

Founder Archetype

Star	Hustler
Veteran	Academic

- Strong background in college and rising up the ranks to leading team at Advent
- Extensive tenure at larger companies, lacking startup experience

Lessons for Success

1 Adapt to the environment you're operating in:
- Initially did patient engagement and care management in addition to analytics, but found that with change in administration policies changed and budgets didn't allow for adoption of their solution
- Had to pivot to broad-based analytics organizations
- Especially in highly regulatory industries, important to operate in niche but keep flexibility in mind

2 Advisors are valuable, but make sure you choose the right ones:
- Gottula states that Clarify's strategic advisors have been crucial for their growth
- However, he cautions start-ups to think about the connections that these advisors bring and if they are actually relevant to the startup's growth
  - For Clarify, they realized CEOs of hospitals aren't actually their buyers, they needed advisors that could connect them to Chief Strategy Officers and Physician Relationship Management personnel who understood the value of product

3 Keep **pricing reasonable** to get your foot in the door, then you can raise your price for future products in the layer cake strategy.

Tekion – First End-to-End Cloud Native Automotive Platform

Vertical Served	Core Offering
Automotive Retail	Automotive Retail Cloud Platform

- Founded in 2015, **Tekion** provides dealers and original equipment manufacturers (OEMs) a platform for dealership management, customer relationship management, and sleek digital retail experience

- Through being the first to integrate customer experience from point of purchase to point of servicing, Tekion has grown to service over **2000 automotive retailers** and multiple leading brand OEMs in improving dealership operations

- Key differentiators include its extensive **partner ecosystem**, unprecedented **sales efficiency**, and strong addition of **AI offerings** to its platform

Tekion – First End-to-End Cloud Native Automotive Platform

Industry Dynamics

- Manufacturers, dealers, and consumers are **siloed**
  - Shared priorities but great amount of **friction**, would take hours between stepping into dealership and buying car
- Relied on **outdated and separate technology** for each part of the process (DMS, CRM, Digital Shopping)
- With consumers moving to digital, the automotive industry lagged behind and independent retailers' **digital offerings were limited**
- Car dealerships faced increasing **competition** from new entrants such as online car retail platforms
- Tekion consolidated these separate systems to provide a more engaging experience for consumers, optimizing dealerships' digital offerings

Funding Timeline

Deal Size ($mm)

- $300
- $250
- $200
- $150
- $100
- $50
- $-

Founded + Seed $3M — 2016
Series A $11M — 2016
Series B $22M — 2018
Series B1 $30M — 2019
Series C $150M — 2020
Series D $250M — 2021

Deal Date

*Reached unicorn valuation
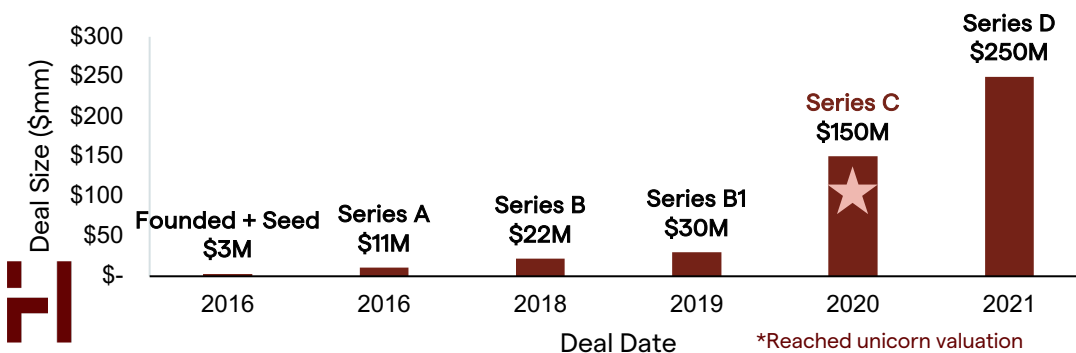
Path to Success

Key Strategic Partnerships

- **General Motors deal** where all GM EV dealers will be using Tekion software for digital retail
  - Non-EV products still run on GM's internally built system, but Tekion's solution has been described as this solution "on steroids"
- Built strong credibility in automotive industry as first investors were **dealership groups**, as well as the VC arms of GM, Renault-Nissan and BMW

Open APIs

- No surcharges, add-on fees, and long-term contract terms that traditionally come with API access in automotive operations
- Competitor systems don't have this functionality, making their solutions less **customizable**

Defensible Technical Moat

- End-to-end platform that now incorporates GenAI has made it difficult for competitors to catch up in building a **competitive offering**

Tekion – First End-to-End Cloud Native Automotive Platform

Founder Archetype

Jay Vijayan – Founder and CEO
- **Engineering Background**
- CIO at Tesla, directly reporting to Elon Musk
- 12 years of previous experience working in Applications Development
- Tesla helped Vijayan see the issues within automotive retailers and spark the idea for Tekion
- *"Today's consumers receive outstanding personalized retail experiences from companies like Amazon, Apple, Google and Disney. But in automotive, the experience is decades old. This is when I thought of an opportunity to change the experience."*

Founder Archetype

Star	Hustler
Veteran	Academic

- Joined Tesla in early days, learned firsthand how to operate in startup environment
- Decades of experience in building products
- Could be overconfident in thinking from both dealership and customer perspective after coming from dealership-side

Lessons for Success

1 **Bought dealership to get right to the roots of the problem**
- Dealership on Tekion's pilot program was for sale
- Tekion bought it with the vision of making it a real-world laboratory for their development
- Bought 2 dealerships in 2020 and operated for 3 years, allowing them to go beyond traditional pilot models
- From operations at dealerships, gained feedback on DMS technology and honed in on consumer/dealer pain points
  - Side benefit of making profits from dealerships to supplement business

2 **Keep marketing and sales spend low, it's best to achieve organic growth:**
- In 2021, only 17 of 1,350 employees worked in sales
- Especially on the enterprise level, word-of-mouth and signing large partnerships are most effective strategies for growth

3 **Take the necessary time for R&D before rolling out the product:**
- From founding in 2016 to 2019, the company operated in stealth to build out complete Automotive Retail Cloud
- This allowed for them to keep a low profile against competitors and create product that made dealers confident enough to adopt it
- Didn't start selling product until January 2021, extensive iteration

Private Company AI Scorecard

By mapping out the AI offerings across private companies, we've identified the most popular ways to integrate AI.

- Similar to the public companies, all 3 private companies utilize AI to assist in their **data aggregation + decision making frameworks**
- Clarify Health and Tekion's **AI agents** come in the form of chatbots, showing the convenience of creating conversational abilities with their core offerings to improve the user experience

	Mark43	Clarify Health	Tekion
AI Agent		X	X
Customer Service			X
AI Powered Search			X
Cybersecurity & Fraud Prevention			
Data Aggregation	X	X	X
Decision Making Assistance	X	X	X
Acquisition(s) in AI			
AI Partnerships			X
Total Features (8)	**2**	**3**	**6**

Harlem Capital's Investment in VSaaS

Enterprise VSaaS	SMB VSaaS

AllieHealth
Senior Living

Fintary
Insurance

Kipsi
Accounting

Procision
Surgery Centers

DocDraft
Law Firms

TrashLab
Waste Haulers

Appendix

Harlem Capital

Founder Archetype

Harlem Capital founders tend to fit within 4 archetypes.

Classically exceptional during their education and career, though may not have startup experience.

Aggressive, focused, and ambitious. May be stubborn and have blind spots

Cerebral, thorough, and hard-working, but may not be focused on right commercial things. Can struggle with analysis-paralysis

Experienced operator or entrepreneur. Uses their background to inform company strategy and execution. Can be overconfident and not focused on continual learning

Star

Hustler

Academic

Veteran

Let's change the face of entrepreneurship, together.

Harlem Capital