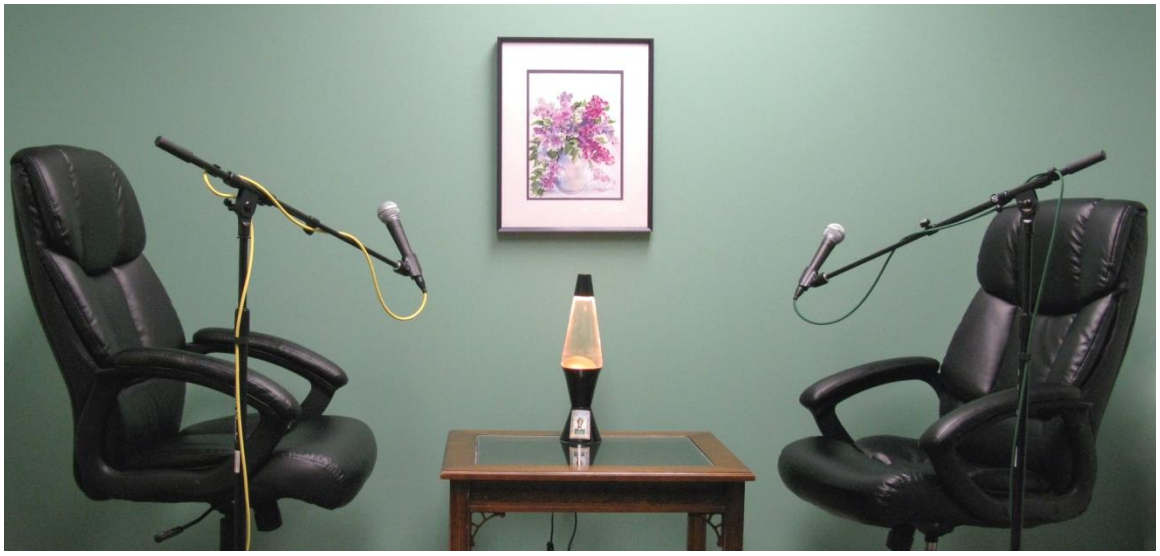
BBBT Podcast Transcript



About the BBBT

The Boulder Business Intelligence Brain Trust, or BBBT, was founded in 2006 by Claudia Imhoff. Its mission is to leverage business intelligence for industry vendors, for its members, who are independent analysts and experts, and for its subscribers, who are practitioners. To accomplish this mission, the BBBT provides a variety of services, centered around vendor presentations.

For more, see: www.bbbt.us.

Vendor:	**Predixion Software**
Date recorded:	**September 27, 2013**
Host:	**Claudia Imhoff**, President, BBBT
Guest(s):	**Simon Arkell**, CEO
Run time:	**00:22:36**
Audio link:	**Predixion Software**
Transcript:	[See next page]
Transcribed By:	CastingWords

Claudia Imhoff: Hello, and welcome to this edition of the Boulder BI Brain Trust, or the BBBT. We're a gathering of international consultants, analysts, and experts in Business Intelligence, who meet with interesting and innovative BI companies here in beautiful Boulder, Colorado. We not only get briefed on the latest news and releases, but we share our ideas with the vendor on where the BI industry is going and help them with their technological directions and marketing messages. I'm Claudia Imhoff, and the BBBT Podcasts are produced by my company, Intelligent Solutions.

John O'Brien: Hello, everyone. This is John O'Brien. I'm with Radiant Advisors, but I am the guest host today for Claudia Imhoff and the BBBT. Today's guest in the BBBT -- it's September 27th -- is Predixion Software, and with me today is Simon Arkell, the CEO of the company. Welcome.

Simon Arkell: Thanks for having me, John.

JO: Jump right into it. One of the first things you had on slide one that I found very interesting was, in your vision of the company and what you hope to accomplish your mission, if you will. One of them that actually stood out for me is that you wanted to make predictive analytics, predictive modeling, and all of that, easier, simpler to be performed, executed, adopted by companies. I know that most all companies are either thinking about this, wanting to do this, or struggling to do this today.

One of the first things I was wondering about your presentation was, how do you make prediction easier, simpler? It seems like a very complex, data scientist, statistician kind of thing, and a lot companies have fear, uncertainty. It's like, "Oh my gosh, how could we take that on? That's not the hundreds or thousands of people I have today," and they struggle with that. How do you make prediction easier?

SA: It's a good question. We started the company four years ago, and the main goal then was to fill a hole in the business intelligence landscape, which was around predictive analytics, because it has been so difficult to do, that it was typically in the realm of the big Fortune 500 companies who had big budgets. They had the ability to put teams of data scientists or hire big consulting companies and pay millions of dollars to benefit from this type of technology.

With any industry that's been around for a while that has variables like that, around having older technology, expensive people, difficulty and friction and complexity, there was a great disruption opportunity for us as a startup company.

We started the company specifically to disrupt the big incumbents, by making predictive analytics simpler, and we started doing that by looking at areas of opportunity to take the friction out of the whole process.

Firstly, it was the technology and the infrastructure required in order to do predictive analytics. It was very, very expensive software. It was all on prem stuff, by some of these big incumbents, and SaaS and SPSS come to mind right there. We developed a cloud service, which meant that our customers didn't necessarily need to install software locally but instead could connect to the cloud to do this.

The other area was in the modeling process. We didn't believe that you needed to have a PhD in order to do predictive analytics modeling. We put a lot of time and effort, with our incredibly bright engineering team in Redmond, Washington, on abstracting away the complexity in the modeling process.

We did that by coming out with a client tool that was an add-in to Excel. The add-in to Excel allowed Excel, through the Internet, to connect to the cloud service. The modeling process became wizard driven, and much easier for a modeler, a business analyst, to do predictive modeling for the first time, or even just a low level marketing analyst to do one click analysis of their data.

Those were the areas that we initially came up with to take friction out and make it easier. Over time, we came out with great collaboration tools and then an automation framework that allowed, basically with one click, to put these models into a production environment.

Now we're plumbing it into really nice end user interfaces, for non-technical people to consume and take action within the field. It could be a truck driver or a nurse in a hospital or a marketing person, to actually see information, have a recommendation given to them around reducing the risk of the bad thing happening, and then going and acting on that.

JO: One of the things you touched on a little later in your presentation, that is the key, I think, to enabling this or unleashing this, is that you have the creation step, you have the collaboration, verification kind of testing process, if you will, and then you've got the really big "How do you make it easy to consume?"

With a lot of the places I go present, talk, meet with companies, I remind people that they already do this today with their smart phones. I ask people, "How many weather apps do you have?" It's predicting the 80 percent chance of rain today somewhere. You're consuming a predictive analytics model, a recommendation engine. "If you like this music, you're probably going to like these others."

Once again, you're already doing that. You just don't realize it. Having that three step process, though, to create those predictive models, making them usable, making them reusable is a big key, making sure large organizations know that they have others, and then opening up the consumable piece.

If that is the process, it's a process we find at companies as well and we work with. What is one of the number one challenges you find in these implementations? When you take them to a company, and you've got a straightforward approach, you know it works, it's proven, for these companies that are new to this, perhaps, what's a challenge there?

SA: It's easy to come up with use cases across industries that are pretty compelling, but the main thing is finding ROI behind any particular application. To put an enterprise solution in place is not the cheapest thing in the world.

We're extremely cost effective as a vendor, but there is consulting, there is software licensing, et cetera. How do you, on a very new application and a new opportunity, look at ROI justification, if there isn't a lot of track record with predictive analytics? Really, drilling in on opportunities to assist the customer with their ROI analysis is important.

From a technical perspective, the other challenge we see a lot is whether the customer has access to the right data. They're capturing data, but are they able to expose it to the platform in a way that allows for predictive

analytics to be performed? Sometimes there's a lot of heavy lifting there. Of course, it's a consulting company's dream, but at the end of the day, we want that to be prepared in a way that makes it easy for them to implement prediction.

JO: We talk about companies that, with Predixion, you're starting with the business goal in question, and then you go find the data that you need and you hope it's out there.

It's interesting because, actually, I've been asked already three times this week. Do I know of any ROI models for predictive analytics? It's like, "How do we prove this? We get it. We want to do it." I've seen some of the IDC reports that say 252 percent, on average, return for analytics, versus 89 percent in normal BI projects. That's very broad, right? Yeah, I've seen that, actually, in the field as well.

Part of that might tie into your strategy in the ROI space, which is you have a strong alliance with Microsoft and their products and leveraging their technology to deliver yours. I would say that Microsoft is quite ubiquitous. It's in every company. You're going to find it there. It's going to make it easier to adopt and easier to be compatible. Is that part of the reason you have such a strong alignment with them? Are there other components to that?

SA: Luck is where preparation meets opportunity. We were very lucky that when we started to meet up with our now CTO, who was a co-founder of our company, and he had headed up the data mining development teams at Microsoft for many years.

Over time, his team members have rejoined him, and our engineering team in Redmond, Washington, where we have dozens and dozens of developers, are former Microsoft people and they know the stack extremely well. That really helped Microsoft because, when we're successful, we drive a lot of revenue for Microsoft, in the form of SQL Server and SharePoint and Office, et cetera.

More and more, we're providing an opportunity for customers to use other algorithm libraries that may be out there. They can use Hadoop, other cloud services, Win Azure, et cetera, but we do have a very close affiliation

with Microsoft, because they bring us into opportunities in order to sell more SQL Server.

That's a really nice symbiotic relationship, but recently we've started partnering with one of the world's largest consulting companies in Accenture, and they've been not only a great investor in our company and a global alliance partner, and they're now reselling our software around the world. That could be in the Microsoft stack, but we can embed ourselves in different environments as well.

We like to have the flexibility to use different libraries, sit in different environments, and send our models and store data inside different environments, whether it's Hadoop or Greenplum or SQL or anything else, in memory and streaming systems. It's very important for us to be tightly integrated to Microsoft because we have a good partnership there.

JO: Not to play into stereotypes about who's been predicting and doing data mining for years. It's predominantly been SaaS and predominantly been SPSS, and those are in a certain enterprise class, and outside of the reach of so many companies, frankly for the expertise you need, the stack you need the cost. It used to be a very entitled kind of thing for a lot of companies. I can see with Microsoft, an analytic model or neural network predictive model type of thing is not going to be preferential to one technology or another. Its math and stats, and the Microsoft platform is very capable.

SA: They've been very good at bringing things down market and making them simpler.

JO: Not to put you in that kind of story, but it seems like making it easier to use the newer generation of predictive modeling, and for everybody, is part of your story, really.

SA: There are a billion Excel users out there, so if we can leverage that user base as well, then why not?

JO: It's completely proven, that is where the end users are most comfortable. That is the tool of choice of the business analyst and the business. Aligning into that, not switching tools, things like that is a big key.

I think you also touched on the other component in your strategy, going with Microsoft being one component, as just a great integration of technologies, a great technology to leverage, but you play a very nice strategy with being very open to the standards in the predictive modeling world. Mahout, PMML are the up and coming, if you will, movement within the predictive analytics world for adoption. We're seeing adoption in R being incredibly high and fast.

SA: We have a dedicated team on R integration right now, and we'll be releasing that in the next couple of months. Effectively, you could pick an R algorithm or an R script that some R developer has developed and, with a wizard driven interface within Excel, actually build a predictive model, put it into production and allow for the consumption by an information worker, very, very effectively, without having to rely on programming and other data science.

JO: Once again, making it simpler.

SA: Yeah. We want those two and a half million R users out there who know how to do the scripting and writing, some of whom write actual predictive models with R, we want to give them an audience. Right now, they finish an R script, and they can query the model themselves, but we're not going to allow a truck driver to do it from an iPhone, and that's where we come in. Can we give them an audience and make this pervasive within the enterprise? Absolutely.

JO: One of the main things we push at the companies that we visit and work with is a concept of analytic portability, right? To have those data scientists, who might choose to work in R, or your partner, I think, Revolution Analytics, and then say, "I need to run this on other platforms."

Perhaps I can take it to Predixion, I can take it straight into native Hadoop distributions, or other things. The ability to get away from the old world of you write a routine one way and it can't go anywhere else except for that vendor's tool that's proprietary, right?

That open analytics strategy, those two, for me, really stood out this morning as two key, I should say, strategies that really, I think, is going to propel Predixion into the marketplace.

Given everything we've talked about so far, you guys, you've been around for four years. We've seen you hopping around. You continue to gain momentum. You're showing year over year, quarter over quarter growth, like you were sharing earlier in the presentation.

Where do you see yourselves down the road? Where do you see yourselves in one year or three years? Is your horizon out there five years? How do you see your company growing, in the market, with partners, with clients?

SA: We think that we're at the beginning of a very big groundswell in demand for this type of technology. By being an innovator and early participant in it, we've established ourselves pretty well.

We've proven that we can be relevant to companies like Accenture and GE and Microsoft. We've raised over $31 million since we started the company four years ago. We've grown. Our revenues are growing nicely, some great customers and partners.

A year from now, I think we'll be innovating, deploying into new industries, with Accenture taking us there to their client bases, working with GE on their Industrial Internet initiative, which is the "Internet of things." That is projected to be a $514 billion industry in the next eight years. Just to be part of that initiative is going to be fantastic for us.

If you think three to five years from now, we look at a company like Tableau as, really, a great example of a company that created relevant, meaningful, high value products that were easy to use and getting really good at taking the friction out of data visualization, which is analytic visualization, if you will.

We know those guys, partnering with them, et cetera, and they're just a great company. They hit that inflection point, where they got profitable, they got sucked into opportunities globally, and they just grew explosively. They filed an S-1. They went public. They have an over four billion dollar market cap now.

We look at a company like that as something we want to be when we grow up, and we think we're only three years away.

JO: That sounds about right. Not to mention, you said the groundswell. I mean, there's the BI industry, which is adding, I like to think of it as extending into the predictive world, really, as a next step. There is the business analytics world, which is completely just focused on predictive analytics and all the things you can do with that.

As if those two weren't growing at their own rates, really, you mentioned earlier the sensor data, the machine to machine world, the thousands and thousands of data points per second from all the machinery around and interacting in people's lives. The prediction that goes into that is that next thing that's actually, in my opinion, the next generation after the big data world.

We're, of course, riding the hype of big data, still. The technology's five years old, and it'll have more to go, but the next order of magnitude wave that's sitting right behind that is the "Internet of things" and sensor data. There's no way to even humanly possible do it without an automated decision and prediction engine. It's the only way to touch that.

SA: That's right.

JO: If we think we've seen big data yet, we haven't seen anything compared to what's coming. Every industry and company can't even imagine how to deal with it. We're just starting that.

SA: We did a really nice POC for a major oil company. Based on our Machine Learning Semantic Model, our semantic engine, we can push a predictive model into memory, into the stream of data as its flying in, and turn around a prediction in the low milliseconds, to prevent failure of a pump, as an example. That is just a metaphor for many other use cases within the industrial space. We aim to productize that over time and really become a player in the space.

JO: That's great. Also, one of the things that we get pulled into quite often, discussion-wise, with companies are, with everybody creating these models, are they qualified and all of that. You can build a model that can predict so many things if you're not careful.

Are you seeing conversations about risk, around "We're going to build this model, and there are risks to this? What if it's a bad model?" When you turn on something at such high speed, I see a lot of concern with companies of those kinds of predictive models scaring them.

SA: That's fair. We've heard that before. I think there's risk for a new marketing intern to create a mission critical app with our software and then put it into production and have other people rely on it. You have to have the stopgaps and the failsafe measures in order to stop that from happening.

That's one of the benefits of having a team environment, a collaboration environment because we can have specific security and restrictions to specific users so they cannot do something stupid like that.

If you're creating a mission critical app for patient risk or machine failure, you want to make sure that the subject matter expert and the data scientist knew what they were talking about, they've had that approved, it's in production because it's been approved, and only certain people can use it.

JO: That's one of the things I actually like about your guys', Predixion Software's, approach, which is it's not just "Here's a technology." It's a "Here's a technology that maps to a process." Your technology really is a process of creating, then, the oversight, the review of proper models, to ensure that those kinds of things are… because you can take in a great prediction or statistics technology, but it has none of those things around it, and you have to go cobble together other process or other technologies to do that.

I like the fact that the process is built into your technology. It's not just a prediction engine. There are others out there, but the collaboration, the creation, the oversight, the security, to minimize risk, is already built in. You're a complete solution, in that sense.

SA: The end to end solution has been really important to have, and that's what stands us apart from the competitors.

JO: I would definitely agree, in the conversations I'm having.

What would be the one takeaway for all of our listeners you'd like them to hear? We've talked about some great things. Appreciate your time. If they're going to remember one thing about you and Predixion and your mission, what would that be?

SA: We have a vision that we, as an industry, should be able to predict everything. If you think about that and distill it down to something so simple, if we can be a vendor that is the number one emerging player in this space, looking to take on the big boys and beat them head to head, to predict everything.

There are huge efficiency gains that come from fully implementing predictive analytics, across all industries. GE has the one percent rule. They've said that if you can affect one percent of five of their major industries, you're saving billions and billions of dollars for customers.

The one takeaway is that we have a compelling end to end solution that customers and consultants should seriously consider when this type of requirement comes up, and we'd love to participate and see if we can add value.

JO: Sounds perfect. Thank you again, Simon. For the BBBT, and for Claudia Imhoff, who's not here today, this is John O'Brien, and I'd like to close out for today.

SA: Thank you, John. Appreciate it.

CI: I hope you enjoyed today's podcast. You'll find more podcasts from other vendors at our web site, www.boulderbibraintrust.org. If you want to learn more about today's session, please search for our hash tag on Twitter. That's #BBBT. And please join me again for another interview. Good bye, and good business!