

Adello

MEDIA + TECHNOLOGY



July 16, 2020

*Top
20*

VISIONARIES

*of Media & Tech Industries
Shared Their Ideas on*

**Digital
opportunities
2020**

**CVC: SURFING
THE WAVE OF
INNOVATIONS**

THOMAS KAISER

EDITOR'S NOTE



Dear readers,

There is economic literature which should be listed as Must-Reads of entrepreneurs. At the top of my personal ,Best of' list is "The Lean Startup" by Eric Ries and Clayton M. Christensen's "The Innovator's Dilemma". While Ries focuses on principles of successful entrepreneurship, Christensen deals with the problem of why successful companies fail due to their own success.

Thomas Kaiser, a partner at Ringier Digital Ventures and Marcau Partners, takes Christensen's principles as his starting point and shares his view about the importance of innovation in corporate structure and how disruption can ensure long-term corporate success.

A good-read for your summer vacation!

Yours,

A handwritten signature in blue ink, appearing to read 'N. Dageförde', is positioned above the printed name.

Nele Dageförde
COO/CMO Adello

IN SEARCH OF DIGITAL OPPORTUNITIES

INTERVIEW WITH THOMAS KAISER

Thomas, tell us more about you. How would your family call you?

My family and friends would probably describe me as a “media junkie”. In retrospect, I was already a media junkie as a teenager. It is no coincidence that I ended up in the media industry after my studies. It was just luck that this was the industry that was on the verge of the greatest transformation in its history due to digitalization. I was lucky because I was able to live out my curiosity to discover new things from day one.

What are you passionate about?

There is much talk today about the so-called “WHY” in the career choice of young people. This is the sense and purpose that a company should fulfil in order to spark the passion. Looking at my choice 3 decades ago, today’s developments in the political and social environment, but also the development of the major Internet platforms, have brought this “WHY” even more to the fore. Democracies cannot function without media diversity.

Why move on to Corporate Venture Capital, was that a logical next step in your career?

In 1996 I was able to start my first internet project at Bertelsmann Media Group as a junior. Even back then, the mission was: Find out what disruption our businesses are suffering as a result of digitalization and what opportunities are opening up! What we then did would be called “venture building” today, meaning the financing of inside-out innovation projects. Then came the phase of strategic investments through the formation of joint ventures and the acquisition of more mature digital companies. Only later did a startup culture develop in German-speaking countries, which made it possible to invest in exciting young companies. My professional career followed pretty much this pattern.

CORPORATE VENTURE CAPITAL (CVC) IN A NUTSHELL

Could you explain the role of a CVC?

In essence, it's all about outside-in or open innovation: exploring new fields of activity, getting to know disruptive business models, but also learning about new forms of cooperation together with your own business units. There are innumerable variants as to which mandate a CVC unit should fulfil. In my view, however, it should always be a strategically based mandate. This should not be confused with the term "strategic investor" who wants to control a certain business. CVC is always about minority shareholdings in the early development phase of a start-up well embedded in the overall corporate strategy.

Aren't there other ways to achieve the same?

The simplest way to explain this is with the image of the "innovation toolbox". CVC is one tool in this toolbox but by no means the only one. Each tool serves a specific purpose, but there is no Swiss Army knife for innovations in your own company. CVC fulfills its purpose when it comes to cooperating with start-ups at an early stage and in a credible manner and to actively participate in their value creation, bringing more than just cash to the table.

In which sense do you believe CVC can be a blueprint to tap into innovation and strategic topics?

In my professional career, I never met a company that has managed to stay at the top only through organic growth and internal research and development. Not even Google has been able to do that. The major value drivers there were also the acquisition of businesses such as YouTube, Android, or Doubleclick. Parallel to these strategic moves, even Google consistently invested in startups, not least, to gain experience with business models that are less dependent on the advertising business than its core business.

Do you see CVC's in a good position in the VC industry, as there seems to be a lot of competition out there?

CVC has long since established itself in individual industries, above all the pharmaceutical industry, where filling one's own product pipeline is unthinkable without external innovation. Conversely, no other industry understands how to support startups with in-house resources in such an exemplary manner:

research and production facilities, distribution, network access, etc. This way of thinking is increasingly penetrating other industries as well. Globally, according to CBInsights, the documented CVC deal volume reached an impressive USD 57 billion in 2019, a tripling since 2014.

This also has to do with the fact that CVC units are now much more professionally positioned, and the share of “tourist VC” has fallen sharply. These are the CVC units that blow for a retreat in the slightest headwind.

RINGIER DIGITAL VENTURES

Where do you see the USP's of Ringier's CVC-unit?

Ringier Digital Ventures (RDV) builds on the strengths of Ringier: a wide reach in the consumer market and a high level of competence in the development and operation of online marketplaces. This gives RDV a clear positioning in an already very well populated VC market. The CVC unit, which operates independently of the mother ship, also ensures that decisions can be made on an equal footing with renowned co-investors and at the speed required for the VC business.

What are the things you look for in startups (especially now, in crisis)? Why would that be different from other VC's?

We focus on start-ups in the areas of direct-to-consumer commerce and marketplaces. We feel at home there. The start-up founders feel that they will find experienced contacts in a very broad and international network of digital entrepreneurs. Another advantage is that we don't have to ride the next wave of trends just to please investors, but can make consistent, long-term investments in what at first glance appear to be traditional markets that have a lot of potential for digitization: Property Tech, Food Tech, Mobility, eHealth, etc.

What are the highlights of Ringier CVC which make you proud so far?

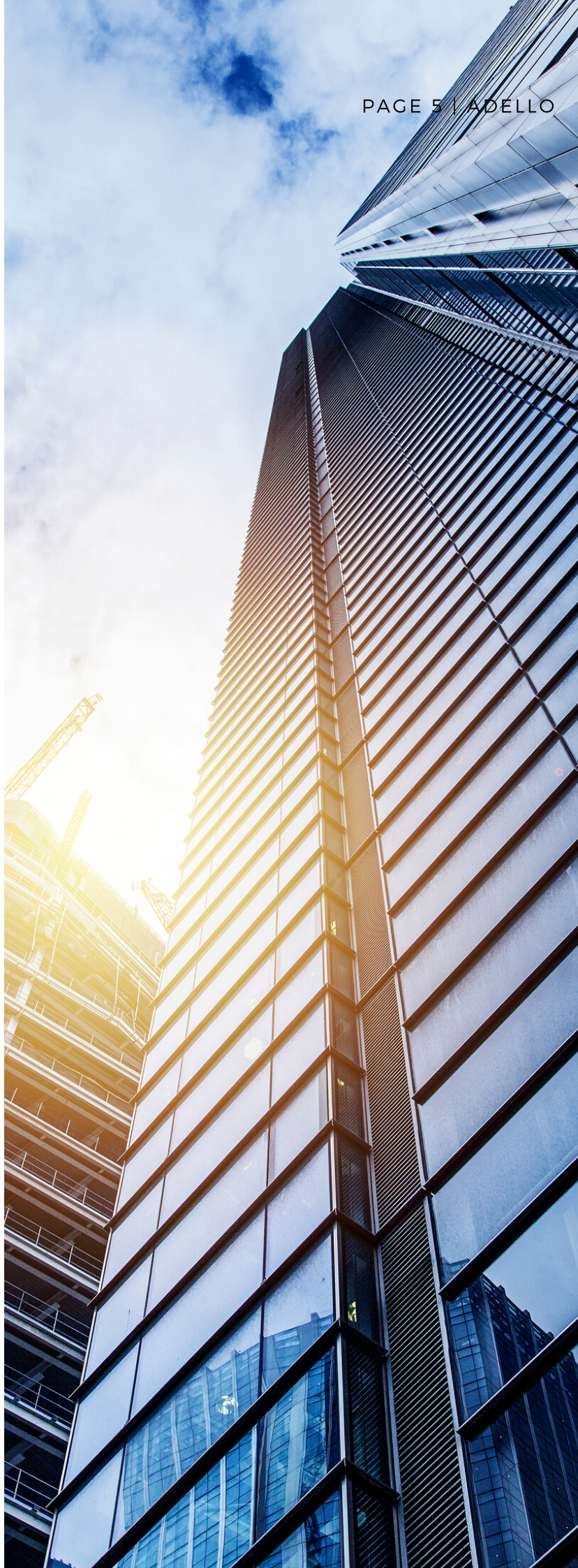
In the VC business, of course, the first thing we always look at are the successful “exits”. Out of 21 investments we have made in the last 5 years, 5 have already been sold again, and among the

remaining 16 there are numerous pearls. We were particularly pleased with the sales of MOVU to the Baloise Group and of FOODSPRING to Mars Inc.

However, just as important as these commercial successes is the fact that, with a small team, we have succeeded in building a reputation as a serious VC in German-speaking Europe and increasingly in the Nordic and CEE regions. The best proof of this are the many well-known co-investors in our startup investments.

Why should startups consider partnering with a CVC rather than a big VC name?

Preferably both. There is no case in our portfolio where this is considered “either - or”, but always “both - and”. The startup founders have a good sense of when a CVC unit can add value and what values it stands for. It is, of course, a great help to us here that Ringier itself is regarded as an example of success in the field of digital transformation. In this way, the core business and CVC unit pay off each other. This is a factor that should not be underestimated in the “war for talent”, i.e., in the search for committed employees who will help the company move forward.



SURFING THE WAVE OF INNOVATIONS

What's the vision you follow that you'd like to share?

Instead of a vision, I would like to mention a truism which - although everyone is aware of it - is still the cause of entrepreneurial failure: the innovator's dilemma, i.e., not to attack his or her own successful business because it is successful. The more successful a business model is today, the greater the chance that it will attract challengers. Disruption, in all consistency, always comes from the outside (even if the CEOs of the companies would like it the other way around). It is not enough to see and understand this disruption, you have to get to know it up close. CVC units are a perfect tool for this.

How do you think Swiss entrepreneurs can benefit in the current crisis?

Approximately every 10 years, there is a tectonic shift in the innovation landscape, often driven by technological leaps. The market entry of the iPhone marks such a turning point. Few companies are privileged to be at the beginning of such a development, most simply adapt well and profit from the new possibilities (e.g., by developing great apps). Currently, there are signs of an innovative leap forward again. And I don't mean the introduction of AI into all areas of life or the democratization of blockchain technology.

The fact that software solutions can be found in almost all mobile and immobile goods increases the demands on the related engineering services. It's all about the advent of the Internet in everyday objects, be it coffee machines, automobiles or intelligent lawn irrigation systems. This is a unique opportunity for many SMEs or "hidden champions" who are now supplying these areas with traditional goods.

The Swiss economy and the university system are excellently positioned in these areas in particular and can benefit disproportionately from this next stage of digitization.

What would you recommend to other corporates who consider establishing a CVC?

There are successful models today for how a CVC unit can be successfully established. So the wheel no longer needs to be reinvented. As always, however, implementation requires a good mix of experienced specialists who are familiar with the startup and investor market and a management team with a long-term perspective (often the owners behind it) who provide the CVC project with staying power and the necessary funds.

ABOUT THE INTERVIEWEE

Thomas Kaiser

Partner at Ringier Digital Ventures, Co-Founder Marcau Partners

Thomas Kaiser was CEO of Ringier's Online Marketplaces and eCommerce business and a member of the Executive Board of Ringier AG from 2012 to 2017. He has more than 20 years of experience in digital transformation projects (e.g., Bertelsmann, Burda Digital Ventures, PubliGroupe). Today, he is a partner in an investment management company (Marcau Partners) that develops digital ventures projects for corporate investors. This includes the development and expansion of the startup portfolio of Ringier Digital Ventures AG.

More about how to establish a CVC-Unit you find in this [CVC-series](#).





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