#DesignInTech Report

John Maeda, Design Partner
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Overview

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1
The Data of #DesignInTech

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Timeline of #DesignInTech M&A Activity

pre-2013	2013	2014	2015

- **FLEXTRONICS**
+acq. **Frog Design** 2004

  - **RIM**
  +acq. **TAT** 2010

    - **FACEBOOK**
    +acq. **Sofa** 2011

      - **GLOBALLOGIC**
      +acq. **Method** 2011

        - **GOOGLE**
        +acq. **Mike & Maaike** 2012

          - **FACEBOOK**
          +acq. **Bolt Peters** 2012

- **FACEBOOK**
+acq. **Hot Studio** 2013

  - **ACCENTURE**
  +acq. **Fjord** 2013

- **OCULUS / FB**
+acq. **Carbon Design** 2014

  - **GOOGLE**
  +acq. **Gecko Design** 2014

    - **CAPITAL ONE**
    +acq. **Adaptive Path** 2014

      - **FACEBOOK**
      +acq. **Teehan+Lax** 2015

        - **BBVA**
        +acq. **Spring Studio** 2015

          - **MCKINSEY**
          +acq. **Lunar Design** 2015

Fourteen

~~Nine~~ creative firms have been *atypically* acquired by companies known for tech like Facebook, Flextronics, Google; also Accenture, Capital One, BBVA, McKinsey & Co

Agencies acquired by mature startups include 80/20 (+acq. Square 2012), Jet Cooper (+acq. Shopify 2013), Helicopter (+acq. One Kings Lane 2011).

Source: @kpcb @johnmaeda @jshoee @wired @philippbohn @anthonydimare #DesignInTech

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Why Are Tech Companies Acquiring Design Agencies?

1	2	3
The solution to every new problem in tech has been simple: more tech.	**A better experience was made with a faster CPU or more memory.**	**Moore's Law no longer cuts it as the key path to a happier customer.**

the old way of thinking   *the new way of thinking* →

Tech companies, and investors, are increasingly seeing the value of designers who know how to work with and within the constraints of the tech industry.

As the marginal return on more computing power (a la Moore's law) continues to diminish, a new kind of design will matter more than Moore.

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What was it like before all this heat around #DesignInTech?

> " [Silicon Valley] didn't think a designer could build and run a company. They were straight up about it. We weren't MBAs, we weren't two PhD students from Stanford. Being designers they thought we were people that worked for people that ran companies. "
>
> —**BRIAN CHESKY** Co-founder of Airbnb
> *via Dezeen*

Brian Chesky, Joe Gebbia, and Nathan Blecharczyk co-founded Airbnb in 2008. Brian and Joe are graduates of the Rhode Island School of Design (RISD).
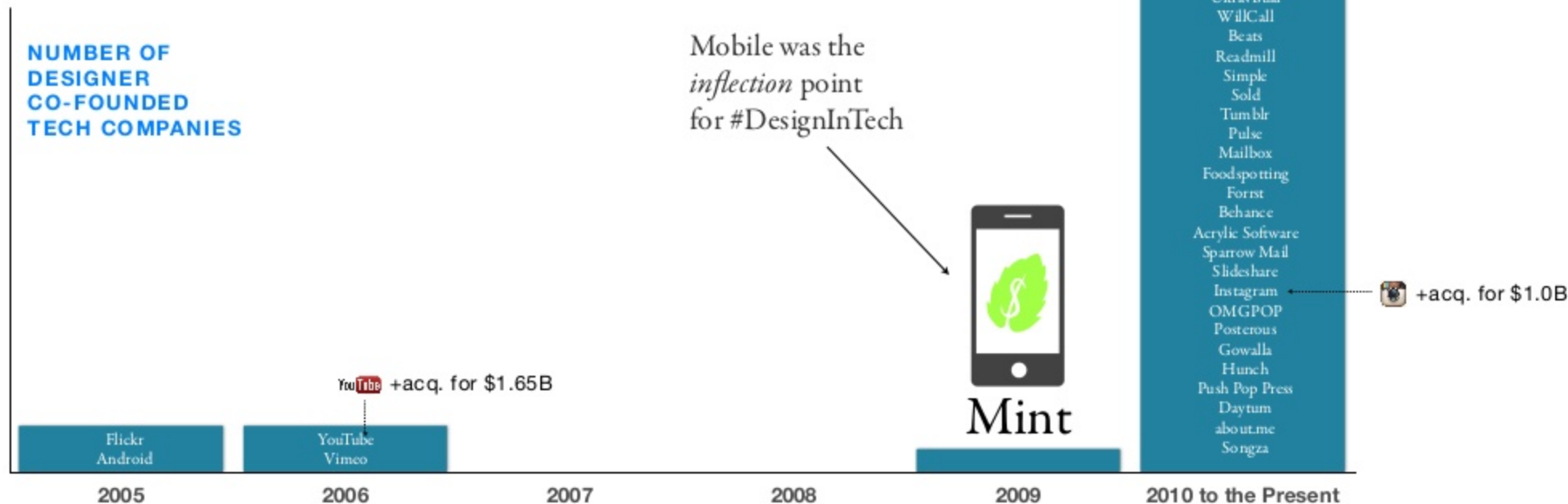
The WSJ reported that in October 2014 the valuation of Airbnb was at $13B — up from $10B in April of that year.

Source: @kpcb @johnmaeda #DesignInTech

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#DesignInTech M&A Activity

**NUMBER OF
DESIGNER
CO-FOUNDED
TECH COMPANIES**

Mobile was the *inflection* point for #DesignInTech

Mint

You Tube +acq. for $1.65B

Fab
Level Money
Polar
Ultravisual
WillCall
Beats
Readmill
Simple
Sold
Tumblr
Pulse
Mailbox
Foodspotting
Forrst
Behance
Acrylic Software
Sparrow Mail
Slideshare
Instagram ← +acq. for $1.0B
OMGPOP
Posterous
Gowalla
Hunch
Push Pop Press
Daytum
about.me
Songza

Flickr
Android

YouTube
Vimeo

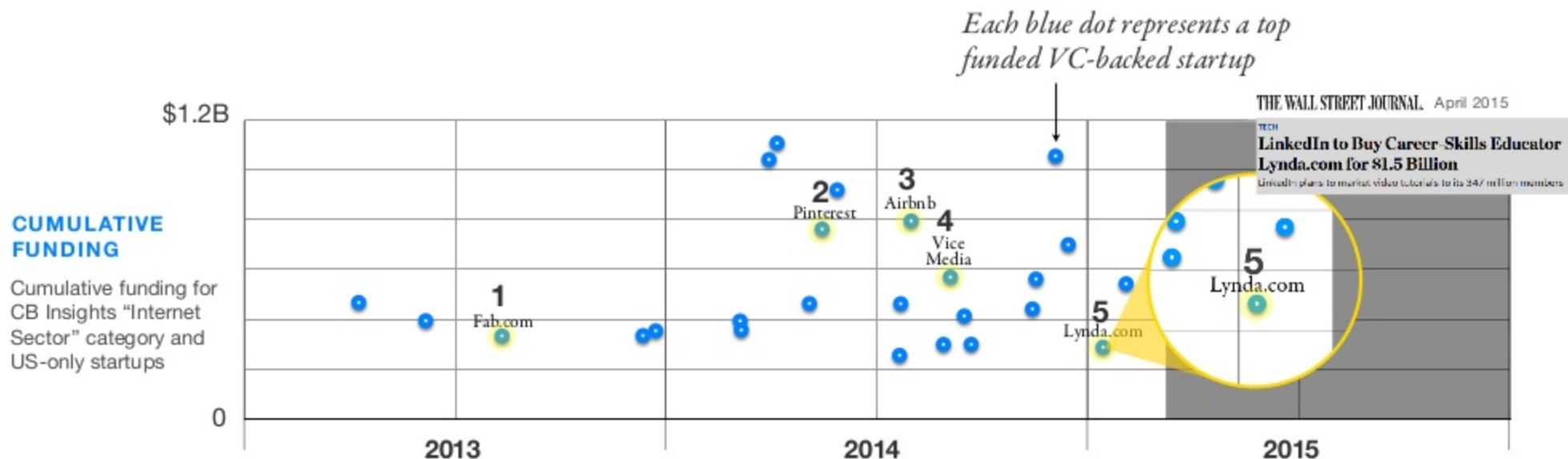| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 to the Present |

27 startups that were co-founded by designers have been acquired since 2010 by companies like Google, Facebook, Adobe, LinkedIn, Dropbox, and Yahoo.

Designing for mobile brought new design and engineering constraints compared with the desktop: 1. Limited computing power, 2. Smaller display → harder to read, 3. Can't rely on network connection, 4. No 'hover' state (no mouse), 5. Hand covers screen when using, 6. Apps silo user data.

Source: @designerfund @kpcb @johnmaeda @jshoee @raphaelschaad @flipboard #DesignInTech

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#DesignInTech Funding Activity

Each blue dot represents a top funded VC-backed startup

CUMULATIVE FUNDING

Cumulative funding for CB Insights "Internet Sector" category and US-only startups

$1.2B

THE WALL STREET JOURNAL. April 2015

TECH
LinkedIn to Buy Career-Skills Educator Lynda.com for $1.5 Billion
LinkedIn plans to market video tutorials to its 347 million members

1 Fab.com
2 Pinterest
3 Airbnb
4 Vice Media
5 Lynda.com
5 Lynda.com

0

2013 **2014** **2015**

Five (20%) of the top cumulative-funded VC-backed ventures that have raised additional capital since 2013 have designer co-founders.

More design-led startups include Flipboard, Gumroad, Path, Tradesy, Segment.io, Quirky, StoreHouse, The Grommet, SOLS. And startups are bringing design expertise in-house earlier: Ionic Security, ZenPayroll, Remind, and aboutLife are a few startups that had design leads in their first 10 hires.

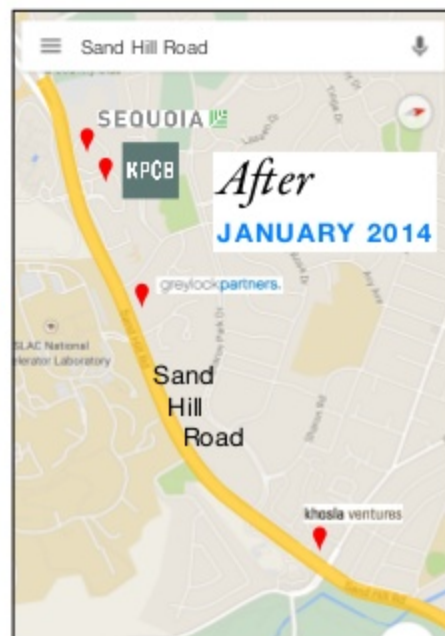Source: @cbinsights @designerfund @kpcb @johnmaeda @jshoee #DesignInTech
http://www.kpcb.com/design

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How is Venture Capital Embracing #DesignInTech?

JANUARY 2014

John Maeda Joins Kleiner Perkins Caufield & Byers as Design Partner

New Design Partner in VC

After

JANUARY 2014

With new designer partners born away from Sand Hill too:

Google Ventures has the largest design team, founded by Braden Kowitz in 2010.

There were no designers on Silicon Valley's fabled "Sand Hill Road" until January of 2014 when I arrived at KPCB. Since then, six more have now joined VC firms.

VC firms with designers include: Google Ventures, Sequoia Capital, Khosla Ventures, Greylock Partners, True Ventures, Sutter Hill Ventures. Seed funds for designers include Designer Fund and Collaborative Fund. Accelerators with designers include: Y Combinator and Samsung Accelerator.

Source: @kpcb @johnmaeda @designerfund @collabfund #DesignInTech

#DesignInTech by the Numbers

1

27 startups co-founded by designers and 13 creative agencies were acquired by tech in the last 4 years.

2

5 startups co-founded by designers have raised more than $2.75 billion, and more are out there.

3

6 venture capital firms invited designers onto their teams—for the first time—in the last year.

Businesses started by designers have created billions of dollars of value, are raising billions of dollars in capital, and VC firms increasingly see the importance of design.

If there's any company or deal that we've missed in the #DesignInTech report, please tweet @kpcb any new information. Thank you!

Source: @kpcb @johnmaeda @jshoee #DesignInTech
http://www.kpcb.com/design

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#DesignInTech Predictions

1 M&A activity of designer-led businesses will likely grow. » Older user experiences will improve.	**2** Designer-led startups will have increased access to capital. » Designers will grow as executives.	**3** Design in VC is not about *pretty*—it's about <u>relevance</u>. » Design's business value will evolve.

DESIGN ➡ DE$IGN

Design in the tech sector is sparking new and extending existing economic growth. Expect more value creation by designers in the coming years as tech matures.

If there's any company or deal that we've missed in the #DesignInTech report, please tweet @kpcb any new information. Thank you!

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A few thoughts about Design, Tech, and Business

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Start with design, rather than just end with it. Design is ~~a cost.~~ an investment.

DESIGN AS "BAKED-IN"

DESIGN AT THE VERY END
(or "COSMETIC SURGERY")

BEGINNING   MIDDLE   END

$

$$$$

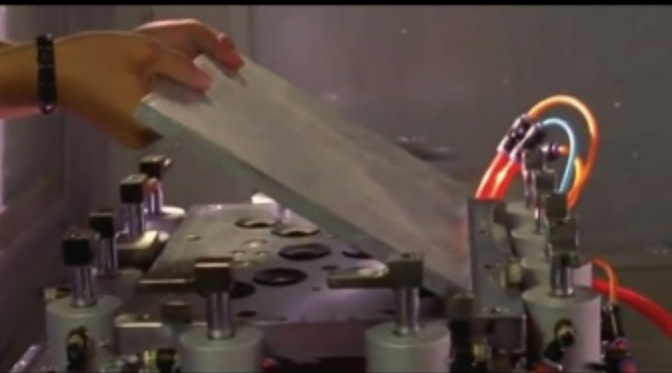To leverage design successfully in tech, don't spray design on at the end.

Source: @kpcb @johnmaeda @wsj

http://blogs.wsj.com/accelerators/2014/02/21/john-maeda-three-untold-tales-for-using-design-successfully/

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Great design is not just about "design."

To achieve great design, you need great business thinking/ doing — to *effectively invest* in design — and you need great engineering — to achieve unflagging performance.

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Combining Design, Tech, and Business: Example 1 (21st c)

Thursday, August 04, 2011
Katie Marsal, AppleInsider.com

Ultrabook Makers squeezed by Apple's Control of Metal Chassis Supply

November 03, 2011
Adam Satariano and Peter Burrows, Bloomberg

Apple's Supply-Chain Secret? Hoard Lasers

June 25, 2012
Jay Yarow and Seth Fiegerman, Business Insider

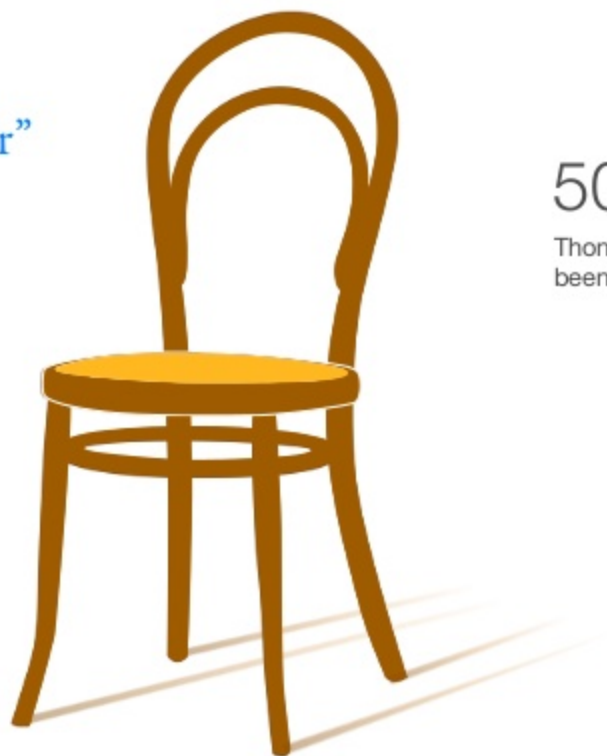**How Apple's Decision To Buy Aluminum From Australia Forced Microsoft To Build Its Own Tablet**

Apple's Macbook unibody was released in 2008 and enabled removing nearly 50% of the parts needed from the previous generation.

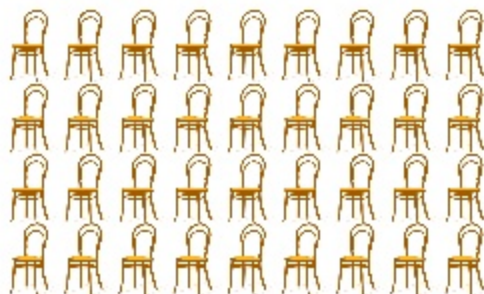Source: @kpcb @johnmaeda #DesignInTech

https://www.youtube.com/watch?v=Io6cF-H_I

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Combining Design, Tech, and Business: Example 2 (18th c)

The "Vienna coffee house chair"

50,000,000

Thonet No.14 chairs have been sold since 1859

36 Thonet No.141 chairs could be disassembled to fit into a 1-meter cubic shipping container.

Michael Thonet's achieved a vertically-integrated, global furniture company with patented technology for bending wood with steam in the 1800s. Thonet had distributed manufacturing across Eastern Europe and sales offices from Hamburg to Rome to Moscow to New York by the 1870s.
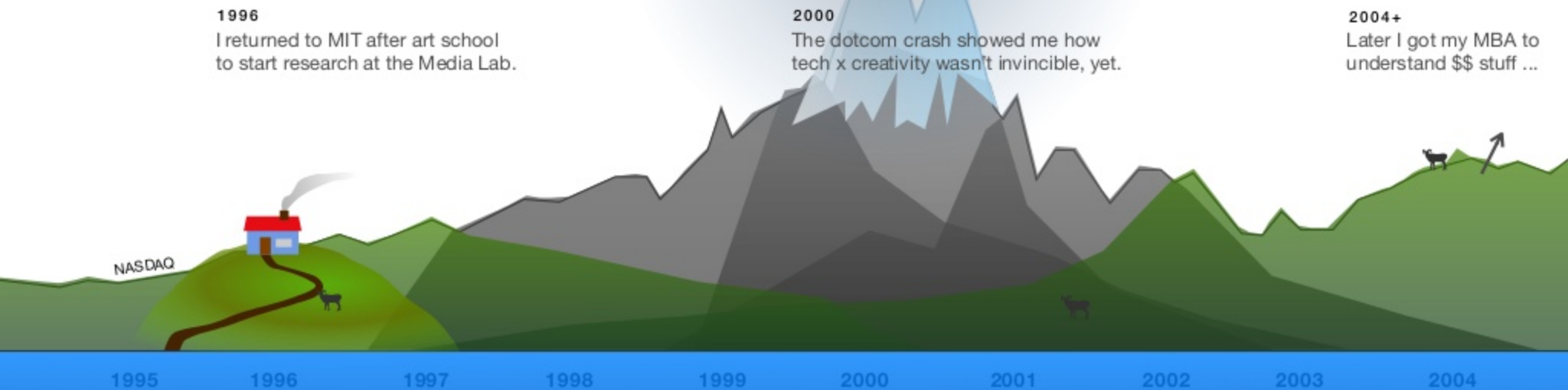
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3
Why should you (and businesses) care about #DesignInTech?

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My Journey Began in the 90s

1996
I returned to MIT after art school
to start research at the Media Lab.

2000
The dotcom crash showed me how
tech x creativity wasn't invincible, yet.

2004+
Later I got my MBA to
understand $$ stuff ...

NASDAQ

1995   1996   1997   1998   1999   2000   2001   2002   2003   2004

My journey from combining art and technology as a practicing designer in tech, to understanding how industry can leverage design and tech at the Media Lab, to decoding the language of finance through further studies ... led me to choose a different path than I had expected.
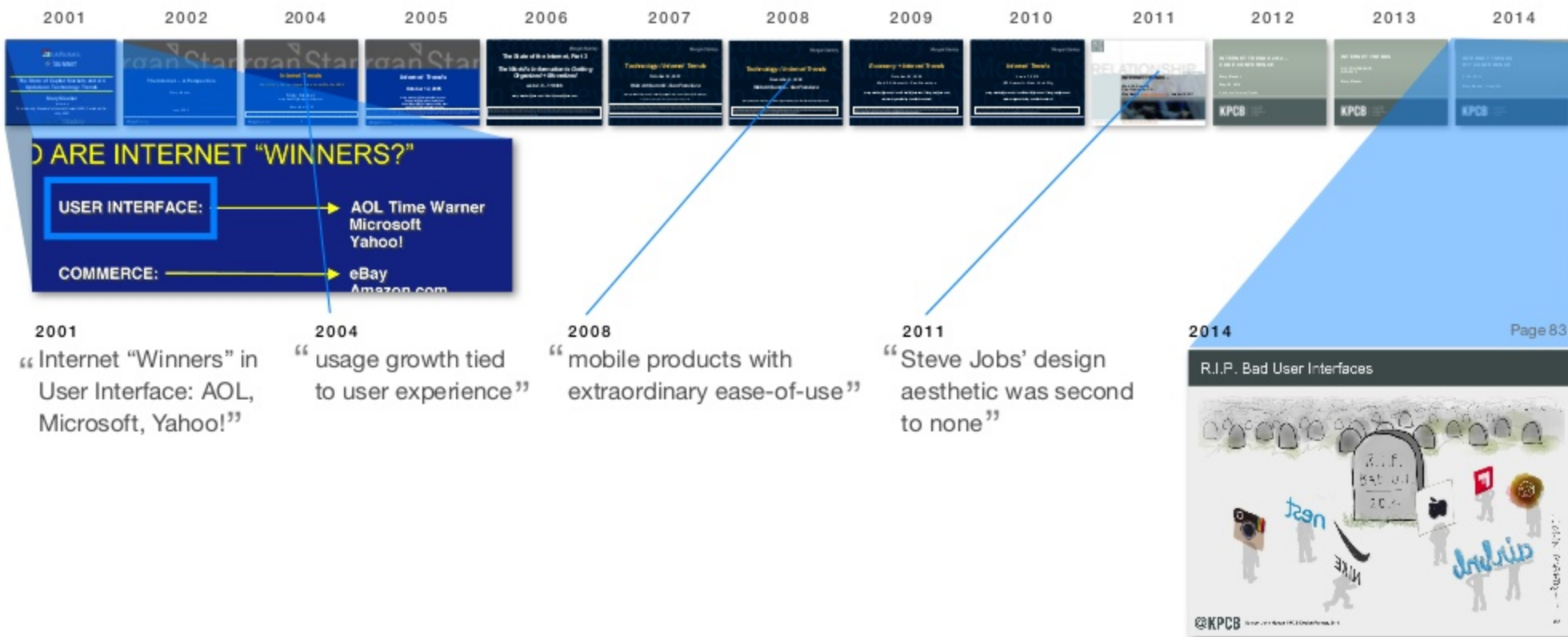
Source: @kpcb @johnmaeda @gewang #DesignInTech

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Is there a justifiable case for creativity in ~~tech?~~ the world?

I've always felt that the younger generation is the best judge of "where to go" because they have the biggest stake in our future direction. It is from them that I learned how "buildilng a justifiable case for creativity in our world" is an important endeavor to achieve some day.

Source: @risd @kpcb @johnmaeda #DesignInTech

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Mary Meeker's Internet Trends Reports tracked the Ascent of #DesignInTech

| 2001 | 2002 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |

...O ARE INTERNET "WINNERS?"

USER INTERFACE: → AOL Time Warner
Microsoft
Yahoo!

COMMERCE: → eBay
Amazon.com

2001
" Internet "Winners" in User Interface: AOL, Microsoft, Yahoo!"

2004
" usage growth tied to user experience"

2008
" mobile products with extraordinary ease-of-use"

2011
" Steve Jobs' design aesthetic was second to none"

2014   Page 83

R.I.P. Bad User Interfaces

@KPCB

The importance of a quality user interface as the next key to growth was made clear to me when Mary asked me to make Slide 83 of her 2014 Deck, which was entitled: "R.I.P. Bad User Interfaces." Mary's work on the Internet Trends Reports were the inspiration for this report.

Source: @kpcb @johnmaeda #DesignInTech
http://www.kpcb.com/internet-trends

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