

Expert Download: AMZN, GOOGL, PCOR, and FRSH Recap + Invites to Upcoming Calls

We spoke with industry experts on AMZN's Bedrock AI platform, YouTube and social media ad campaigns, PCOR demand trends, and FRSH's partner network. Our top 3 takeaways from last week's calls include: 1) Bedrock is AMZN's AI platform for running AI tasks without having to worry about the hardware; 2) mixed Q3 ad spend from YouTube/social media ad expert; 3) PCOR customer checks indicate volumes holding up. Full recaps and invites to upcoming calls are below.

Bedrock is AMZN's AI platform for running AI tasks without having to worry about the hardware.

We hosted a call with an AMZN Bedrock expert who had early beta access to Bedrock. He referred to Bedrock as AMZN's AI platform for running AI tasks without having to worry about the AI hardware. Our expert said that all of his clients are asking about AI, but only some have actually deployed it. He highlighted that many of the AI deployments his customers have done are centered around customer support chat-bots to help reduce customer service costs. While our expert noted that AMZN lost the PR AI battle, he believes AMZN is well positioned to drive revenue from AI in the LT.

Mixed Q3 ad spend from latest check. We hosted an ad expert whose firm generates the bulk of its revenues from YouTube and social media ad campaigns. Key takes: Q3 ad spend for his clients grew only ~5%, which was disappointing after Q2 ended strong with June up 22-25% y/y. Possible reasons for the slowdown include: 1) clients tightening budgets after hitting '23 campaign goals and using the savings to boost margins, and 2) availability of more digital ad channels such as Netflix. In terms of specific channels, META is doing better than YouTube. PINS is small but growing fast and gaining share. 2024 ad outlook is unclear but could be better, with 1H up 10-12% and 2H growth dependent on election spend.

PCOR Customer Checks Indicate Volumes Holding Up Despite Environment; Procore Pay Being Adopted. We hosted 3 large customers: 1 Owner and 2 GCs. The owner noted resilient pipelines driven by store builds. The first large GC noted construction volumes are still resilient given their broad exposure to the commercial and industrial verticals. The second large GC has seen some impact on volume due to exposure to multifamily residential space. He expects flat volumes in '24. Both large GCs are on track to adopt Procore Pay in '24.

Mixed FRSH Checks Indicate ITSM Resilience. We hosted two Platinum FRSH Partners for channel checks. The overall sentiment was mixed. The US partner noted that 3Q was a "fantastic quarter" driven by strength in pipelines and new logos. He expects 100%+ y/y growth in '23 raising the target from 2Q. The European partner expects 25% growth in '23 and 20-25% growth in '24, below 30% growth in '21 and '22. Although 3Q was aligned with internal expectations, it was slightly below the 25% target for '23. Our partners highlight that the ITSM market is holding up with FRSH gaining share, but CX space is weaker. Furthermore, FRSH's GTM changes that they made in Jan. are bearing fruit (seeing larger customers and less churn). Our experts highlight that Freshworks' win rates remain healthy. Lastly, AI is still in early days.

Invites and speaker bios for our upcoming calls can be found below.

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Key Takeaways from our Call with an Amazon Bedrock Expert

We hosted a call with an Amazon Bedrock expert who had early beta access to Bedrock. Our key takeaways from the call are: **1) Bedrock is AMZN's AI platform for running AI tasks without having to worry about AI hardware.** Our expert described Bedrock as an AI platform for running AI tasks, without having to worry about the hardware to run it. He noted that everything Bedrock allows you to do was possible before, but Bedrock helps to significantly simplify the process and keep projects within budget. **2) AMZN and MSFT are taking different approaches to AI.** Our expert believes AMZN and MSFT are targeting AI in different ways. He highlighted that while they have similar offerings, MSFT's approach is more focused on use cases such as AI translation, AI analysis, AI recommendations etc. vs Bedrock which allows you to create your own model and add things like search on top of it. **3) Bedrock was a strong offering out of the gate.** Our expert said he was surprised how good Bedrock was at launch, highlighting that AWS products tend to be missing key features at launch that get filled in over time. He said that Bedrock had many of the features that he would want and expect right out of the gate. **4) Every customer is asking about AI, but only few have implemented it.** Our expert noted that almost every customer is asking him about AI, however many are just asking to check a box and others are asking about AI when what they really need is ML. Overall, our expert noted that only some of his clients have actually started to implement AI. **5) Customer service has been the most common generative AI application our expert has seen.** Our expert highlighted that the most common use case for generative AI is around customer service. He noted that customers are largely using chat-bots to help reduce their customer service costs. **6) Bedrock's pricing is similar to AWS pricing, just priced through tokens.** Our expert highlighted that customers can pay for Bedrock the same way they do for typical AWS products, through a pay as you go model, or they can commit to a certain level of usage for a price cut. He noted that the cost is based on how many tokens you use, with token usage increasing based on how many words go in and out of your LLM. **7) Expect AMZN to try and move customers over to their foundational models over time.** Our expert noted that Bedrock offers users multiple different foundational models to choose from including from Anthropic, Cohere, Stability among others. However, he expects over time, once AMZN has locked customers in, they will attempt to migrate users to their own foundational models (Titan), which will be cheaper. **8) AMZN lost the PR battle, but they won't lose the AI war.** Our expert highlighted that while AMZN may not have gotten the same press coverage as MSFT and GOOGL around AI, he believes this is a 10 year journey and is confident that AMZN will be a big player in AI in the LT. He does not believe they are missing out on billions of dollars in AI right now.

Key Takeaways from our Call with GOOGL/YouTube and social (META) Expert

We hosted an ad tech expert whose firm generates the bulk of its revenues from YouTube and social media ad campaigns. Key takeaways: **1) Surprise slowdown in Q3.** On our last call in July, the expert was upbeat about Q3 as June ad spend had grown a strong 22-25% y/y. He was especially hopeful that linear TV budgets would shift to digital channels (YouTube and social) after a poor TV Upfront showing and headwinds from Hollywood strikes. However, Q3 spend was only up 5% y/y, though we would note linearity was encouraging (July down, August ~flat, September up 9%). For Q4, he expects mild growth of 3-5% y/y, with META slightly up and YouTube slightly down. For the year 2023, he expects growth of 4-5%, which is down from his prior forecast of 11-12%. **2) Possible reasons for slowdown: macro and surplus of digital ad channels.** The expert noted some clients had reached their desired campaign goals and, instead of adding incremental ad campaigns, decided to keep the savings and let them flow through the bottom line - i.e., there was some budget tightening and pull-back. In addition, the expert noted that advertisers now have more alternatives to spend their digital ad dollars, including Netflix and other CTV channels. **3) META did better than YouTube.** Most of Q3's ad spend growth was in META, while YouTube was flat. META's Advantage+ campaigns are doing well, with 60-75% of his clients using them and seeing an average 15% incremental lift. **4) PINS smaller but growing fast.** Pinterest is a small part of the expert's overall ad spend, but is the fastest growing channel and gaining share. **5) 2024 outlook unclear but could be better.** There is not yet much visibility on 2024 ad budgets, but initial indications are for 10-12% growth in 1H24. 2H24 could benefit from elections.

Key Takeaways from Our Calls with 3 PCOR Customers

We hosted three large Procore customers: 1 Owner and 2 GCs for channel checks. Our key takeaways from the calls are: **1) Volumes Still Holding Up Despite Tougher Environment.** The large owner noted retail store build out over the next few yrs. supporting construction backlog for them. The first large GC noted that their broad exposure across industries gives them confidence that backlogs are still resilient. Apart from a few customers, he noted that his conversations with other large GC peers indicates backlogs are still resilient. He notes that the construction industry generally faces a downturn on a lag, so any hypothetical downturn would not hit them until 2025. Furthermore, he is confident they have adequate projects in the pipeline to weather a short downturn. The second large GC has seen some impact from macro over the summer due to their exposure to multifamily housing. He expects flat volume growth in 2024 followed by growth in 2025. **2) GCs Adopting Procore Pay; Little Interest In Other Fintech Solutions.** The two large GCs we spoke with were both excited about the fintech innovations particularly PCOR Pay. The first GC is already in the process of adopting Procore Pay. He noted it will take them 4 months to get live. They evaluated Textura as well and ended up choosing Procore Pay because of the intuitive user experience combined with integrations to Invoicing. They plan to roll out payment across all the projects within the firm in 2024. They are adopting the industry standard in terms of Procore Pay wherein they pay a small platform fee and the SC pays the larger usage fee. He does not expect a material change in their spend on Procore as a result of adopting Procore Pay as the platform fee for large GCs is relatively small. The second GC is in the process of replacing Textura with Procore Pay. The second GC had been using Textura for over a decade, but prefers Procore's solution as it is more modern and well integrated with the Procore tech stack. They plan to roll out Procore Pay by the middle of 2024. They are also using the second payment model wherein the GC pays a smaller platform fee while the SC pays the user fee. He expects their spend to expand 10% due to adoption of Procore Pay. The other Fintech solutions around Procore Risk Advisors and Materials Financing have gotten limited. **3) PCOR Still Best Of Breed, But ADSK Still Holds The Lead In Preconstruction.** All three experts unanimously noted PCOR still remains best of breed for construction management software especially for project management. The experts agree that ADSK has an advantage on the preconstruction side, but PCOR could catch up over the next few years in preconstruction. **4) PCOR Innovation In Core.** Despite the focus on the new fintech initiatives, the customers highlighted they are still happy with the core innovation. They noted Procore has been responsive to their suggested improvements to the product. **5) More Appetite For Triple Charging On Same Construction Dollar.** The customers noted that PCOR has customized its suite offerings to stakeholders like SCs and Owners. They believe there is limited pushback now for triple charging as the value is apparent to each stakeholder.

Key Takeaways from Our Calls with 2 FRSH Experts

We hosted two Platinum FRSH Partners (one US and one European) for channel checks. Our key takeaways from the calls are: **1) Overall Demand Environment Has Improved in US But Europe Remains Soft.** The US partner noted that 3Q was a "fantastic quarter" driven by strength in pipelines and new logos. He expects 100%+ y/y growth in '23, slightly below 140%+ y/y growth in '22. The European partner expects 25% growth in '23 and 20-25% growth in '24, below 30% growth in '21 and '22. Although 3Q was aligned with internal expectations and slightly below the 25% growth expectation for 2023, lead quality continues to decrease as FRSH moves upmarket. **2) ITSM Market Holding Up but CX is Weak.** Our partners note that Freshservice and the ITSM market are holding up well. Freshservice is 55-60% of the European partner's Freshworks practice and is growing nicely. On the flip side, the CX market is weaker as customers are hesitant to change their current solutions due to macro pressures. **3) GTM Changes Bearing Fruit.** The US partner notes that FRSH's go-to-market changes that they made in January are bearing fruit, and the partner has started to see larger customers and less churn. The US partner is seeing the results of Shafiq Amarsi's, FRSH's SVP of GTM (ex: AWS, MSFT), efforts to build out FRSH's partner channel. **4) Win Rates Remain Healthy.** Our experts highlight that Freshworks' win rates remain healthy. The European partner estimates that Freshworks wins 70-80% of deals versus Zendesk while the US partner estimates that Freshworks wins 70% of deals versus Jira Service Management. However, Jira Service Management may be more likely to win if the customer has a strong DevOps team. The European partner notes that 80% of his total Freshworks deals are replacements, and that ServiceNow, Zendesk, and Talkdesk are most often displaced. **5) AI Still in Early Days.** Our US partner highlights that while AI comes up in every customer conversation, it's still early days and is mostly hype. The expert notes that he has not priced any AI deals and while the interest is there, it is mostly conversations.

Invites to Our Upcoming Calls/Events

DDOG, DT, ESTC, & SPLK

Topics of Discussion

- M&A implications for observability market
- Cloud optimization trends
- Competitive dynamics

October 25 at 10:00AM ET: Conference Call with Sid Roy, CTO and EVP of Operations and Client Support at Scicom Infrastructure Services

Registration Link: [HERE](#)

Speaker Bio

Sid Roy is EVP of Operations and Client Support & CTO at Scicom Infrastructure Services, a provider of IT services such as infrastructure management, application development & management, and business. He has 19+ years of experience supporting major enterprise clients around IT and technology strategies and solutions to address complex business challenges across virtually every major industry.

October 25th at 11:00AM ET: Conference Call with Vladimir Melnik, VP of Strategic Alliances at Phosphorus Cybersecurity

Registration Link: [HERE](#)

Speaker Bio

Vladimir Melnik is VP of Strategic Alliances at Phosphorus Cybersecurity, a security management and breach prevention platform. He is a former Senior Director of Global Strategic Alliances at Splunk and held P&L responsibility for strategic partnership and business development there. He can elaborate extensively on the information security market and competitive landscape.

CRM

Topics of Discussion

- Front office apps space
- Budget expectations for '23 vs '22
- Competitive environment

November 8 at 10:00AM ET – Conference Call with Ambrose McGinn, EMEA Partner

Registration Link: [HERE](#)

Speaker Bio

Ambrose McGinn is currently Chief Executive Officer at Westbrook International plc (09/2009 - Present). Westbrook International is a Salesforce Platinum EMEA Partner, providing innovating business in the cloud including consulting, implementation, development and support services to multinational, national, enterprise and mid-market businesses.

November 8 at 11:00AM ET – Conference Call with Anit Parikh, US Partner

Registration Link: [HERE](#)

Speaker Bio

Anit Parikh is currently the Managing Director of Slalom, LLC (07/2017 - Present). In this role he handles customer relationship management, digital strategy, marketing automation, data and analytics working with Salesforce, Pardot, Marketo, Mulesoft, Tableau, PowerBI, and Snowflake. Previously he was the Salesforce Practice Director at PwC (06/2012 - 07/2017). Anit was also a Director at Salesforce.com (01/2007 - 06/2012).

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(Article 3(1)e and Article 7 of MAR)

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James Heaney owns shares in Salesforce.com

Steven DeSanctis owns shares of Alphabet Inc. common shares.

James Heaney has a long position in Facebook.

Steven DeSanctis owns shares of Microsoft Inc. common shares.

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- Autodesk, Inc. (ADSK: \$202.69, BUY)
- Check Point Software Technologies Ltd. (CHKP: \$134.65, BUY)
- Chegg Inc. (CHGG: \$8.39, HOLD)
- Cisco Systems, Inc. (CSCO: \$52.93, BUY)
- CrowdStrike Holdings, Inc. (CRWD: \$178.76, BUY)
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- DocuSign, Inc. (DOCU: \$40.27, BUY)
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- Elastic NV (ESTC: \$79.62, BUY)
- Fortinet (FTNT: \$56.36, HOLD)
- Freshworks (FRSH: \$18.55, HOLD)
- Meta Platforms, Inc. (META: \$308.65, BUY)
- Microsoft Corporation (MSFT: \$326.67, BUY)
- Netflix, Inc. (NFLX: \$400.96, BUY)
- Okta Inc (OKTA: \$75.57, BUY)
- Oracle Corporation (ORCL: \$101.85, BUY)

- Palo Alto Networks (PANW: \$243.10, BUY)
- Pinterest, Inc. (PINS: \$25.96, HOLD)
- Procore (PCOR: \$62.88, BUY)
- Salesforce.com (CRM: \$203.73, BUY)
- SentinelOne, Inc. (S: \$15.98, HOLD)
- ServiceNow Inc (NOW: \$542.51, BUY)
- Snap, Inc. (SNAP: \$9.44, HOLD)
- Splunk (SPLK: \$147.53, BUY)
- The Trade Desk, Inc. (TTD: \$74.06, HOLD)
- Udemy Inc (UDMY: \$9.69, HOLD)
- Zscaler, Inc. (ZS: \$162.19, BUY)

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