

MARY MEEKER'S 2017 TRENDS: 5 INSIGHTS FOR THE FINANCIAL INDUSTRY

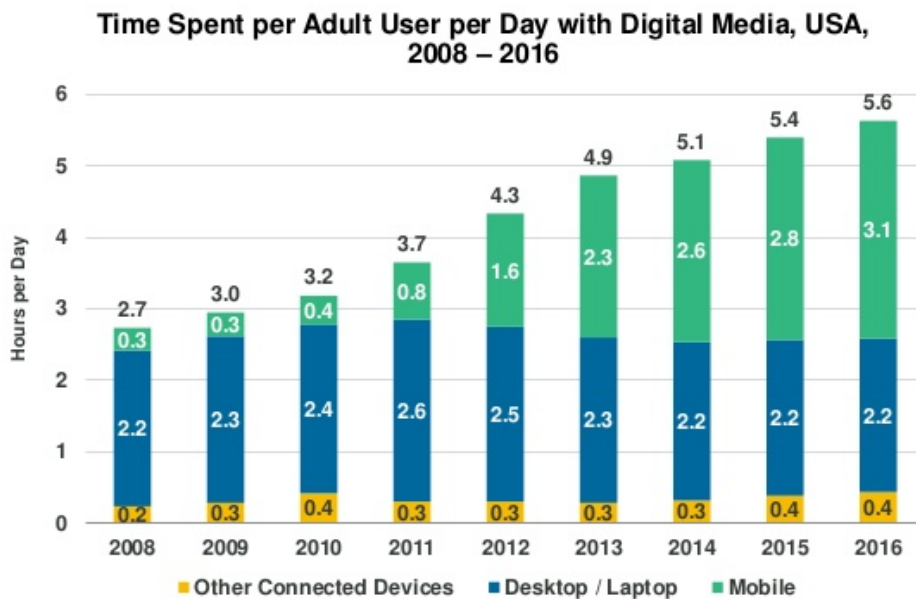
Each May, Mary Meeker of KPCB releases her annual Internet Trends Report highlighting trends across a variety of industry sectors. The report offers valuable insights for any business in which the internet plays a role in the delivery or marketing of a product/service.



This year's full presentation deck came in at a whopping 355 slides. If you don't have the time to review [the entire presentation](#), we've assembled some key highlights here that have implications for financial services businesses of all kinds.

MOBILE INTERNET USE HAS OVERTAKEN DESKTOP/LAPTOP USE

Internet Usage (Engagement) = Solid Growth...+4% Y/Y...
 Mobile >3 Hours / Day per User vs. <1 Five Years Ago, USA



Source: eMarketer 3/14 (2008-2010), eMarketer 4/15 (2011-2013), eMarketer 4/17 (2014-2016). Note: Other connected devices include OTT and game consoles. Mobile includes smartphone and tablet. Usage includes both home and work. Ages 18+. Time spent with each medium includes all time spent with that medium, regardless of multitasking.

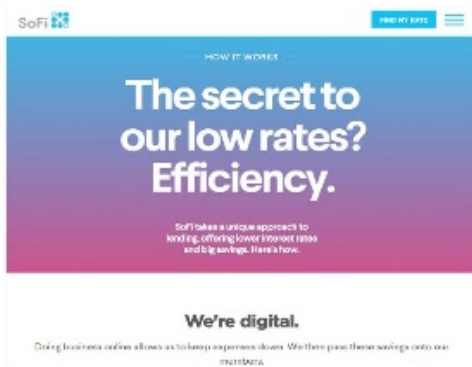
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Slide #9 – Time spent on mobile devices using internet has grown from 0.3 hours/day in 2008 to 3.1 hours/day in 2016 – that’s almost 10-fold growth! Mobile internet use has eclipsed desktop/laptop use over the past several years and is driving overall growth in time spent online. The message is clear: as a financial firm, you need to assume that a client’s or new prospect’s ONLY experience with your website might be on their smart phone. It’s no longer an option not to have a responsive, mobile-friendly website. If the user experience is bad during a user’s commute to work, why would they bother to come back when they’re sitting at their desk? Your firm’s entire customer experience needs to be not only mobile friendly, but optimized for mobile devices.

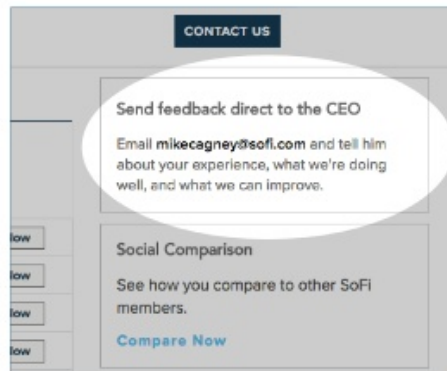
LACK OF TRANSPARENCY IS NO LONGER AN OPTION

Customers = Increasingly Expect to Understand How Things Work

SoFi 'How It Works'
Most Viewed Content, After Home Page



SoFi Member Dashboard
Send Questions Directly to CEO

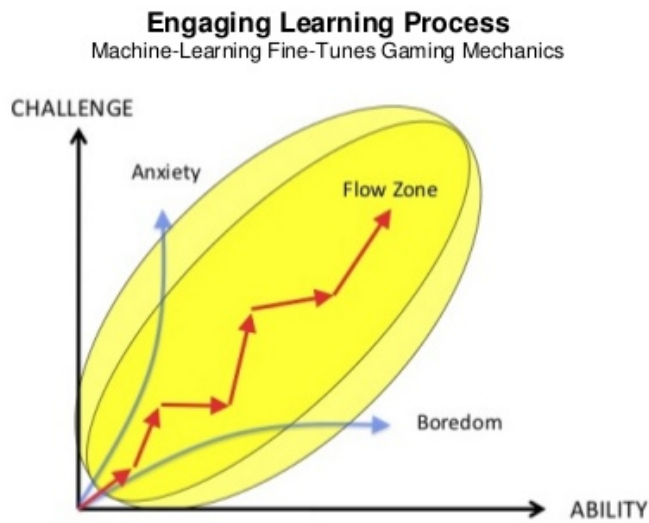


Slide #56 - Customers increasingly expect transparency, whether it's understanding your business model and how it benefits them, or having access to leadership if things aren't going well.

Social media will increasingly be used to drive accountability in the marketplace. Specifically, potential customers will visit a company's LinkedIn page and expect to find complete profiles of key executives there. Websites like [Glassdoor](#) provide detailed information about the culture and ethics of an organization. But that's not to say that organizations are expected to be perfect - the key is authenticity. Customers will seek advice from peers about your company, and watch how you handle negative online reviews when they happen.

GAMIFICATION IS DRIVING INNOVATION

...Dynamic Difficulty Adjustment =
Ultimate Trial & Error Experience...



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Source: Image: Games for Learning Institute

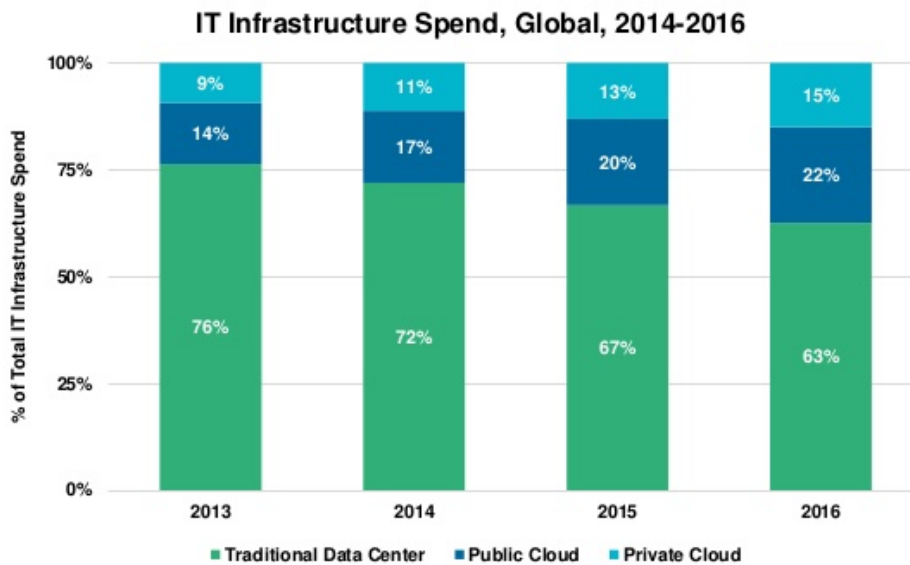
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Slide #90 - The report dedicates a considerable number of slides to the influential role that computer gaming has played in driving engagement and innovation in applications serving a wide variety of industries, including financial services. This slide nicely illustrates how game approaches dynamically seek to challenge users and drive progress. Truly addictive games provide enough challenge to be interesting, but not so difficult that users are discouraged.

Similar approaches can and are being applied to driving sales performance and profitability in financial advisory businesses.

CLOUD HOSTING IS PAVING WAY TO NEW SOFTWARE AND IT INFRASTRUCTURE

Public + Private Clouds = Approaching Traditional Data Center Spend... +37% to \$36B vs. 2014



Slide #181 - Corporate IT spending on public and private cloud infrastructure has risen from 24% to 37% since 2013 and is approaching parity with traditional data center spending.

Cloud Evolution / Tools = Paving Way for... Innovation Across Infrastructure Landscape...



New Methods of Software Delivery =

APIs / Browser Extensions... creating new wave of capabilities (+ companies) for both companies and end users



Containers / Microservices =

Simplify software development process / improve consistency between testing & production environments / reduce complexity of managing & updating apps due to modular approach



Elastic Analytical Databases =

Likes of Google BigQuery / Snowflake / AWS Redshift Spectrum nearly infinitely scalable / usage based + have minimal maintenance requirements



Edge Computing =

Pushing compute away from centralized nodes & closer to sources of data... addresses many IT challenges when running data-centric workloads in cloud - reduces latency / can have security + compliance benefits...

Slide #184 - The growing cloud hosting infrastructure is enabling a new generation of innovative application development, based on technology such as containerization, microservices, distributed ledgers and elastic data. Financial services businesses can leverage cloud-based tools and solutions to overcome legacy technology

limitations and deliver resilient, scalable and secure solutions both for their customer-facing and enterprise needs.

For more information on Xtiva's new generation application, see [XtivaCloud: Future-Proof Financial Technology](#).

Enterprise Software (2000 → 2017) = Users Expect Products to be as...
Well Designed / Easy-to-Use / Reliable as Consumer Apps

Perpetual, On-Premise Software → Cloud-Based SaaS Apps → Mobile-First Smart Apps

	2000	2017
Delivery Method	On-Prem	Cloud-based
Pricing	Perpetual License	Subscription
UX	Generic	Personalized
Intelligence	Constrained	Unlimited (AI / ML)
Growth Engine	Sales	Product
Purchase Decision	Top-Down	Bottoms-Up
Measure of Engagement & Customer Satisfaction	N/A	DAUs / MAUs / NPS

Slide #187 - Consumer user experiences have created a generation of users that expect enterprise software to be as well-designed, easy-to-use and reliable as consumer apps. User interfaces need to be personalized and intelligence is unlimited because external unstructured data can be leveraged.

CHINA'S INTERNET LEADERS ARE EVOLVING INTO FINANCIAL SERVICE PROVIDERS

Mobile Payments = Gateway for China Internet Leaders to... Become Diversified Financial Services Platforms

	Payment	Wealth Management	Financing	Insurance	Credit Rating / History
Ant Financial	 451MM Annual Active Users ¹	 >300MM Cumulative Users ²	 >100MM Cumulative Consumer Finance Users ³ , >5MM Cumulative SME Borrowers ⁴	 380MM Cumulative Users ⁵	 130MM Cumulative Users ⁶
Tencent	 >600MM MAU ⁷	 >80MM Cumulative Users ⁸	 >30MM Cumulative Users ⁹		
JD Finance	 119MM Annual Active Users ¹⁰	 >20MM Cumulative Users ¹¹	 >30MM Cumulative Users ¹¹	 168MM Cumulative Users ¹¹	 >35MM Cumulative Users ¹¹

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Source: Alibaba / Ant Financial, Tencent, JD Finance
 Number of users of Alipay with one or more successful transactions in 2015: ¹As of 3/16; ²As of 4/17; ³As of 1/17; ⁴As of 2/15; ⁵As of 3/16; ⁶As of 3/16; ⁷As of 12/16; ⁸As of 11/16; ⁹As of 5/17; ¹⁰As of 12/16; ¹¹Number of users of JD Pay with one or more successful transactions in 2016; ¹¹As of 5/17

Hillhouse Capital

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Slide #223 - The report dedicates considerable attention to Internet trends in China and India, but this slide caught our attention. Mobile payment services have become a gateway for China's leading internet companies to morph in diversified financial services platforms, including offering payments, wealth management, financing and insurance services. While this trend has progressed faster in China, watch for similar moves from internet service providers in North America.

The message for incumbent financial services businesses is clear: think beyond the traditional competitors.

To see the full presentation deck by Mary Meeker, visit <http://www.kpcb.com/internet-trends>.