Twitter Thread by Ameya

Ameya
@Finstor85

One segment I have been absolutely upbeat is IT/Tech. Tech has always been the hidden moat for many companies - AP/BFL to name a few. Tech is no longer a vertical in market. It has become horizontal that cuts across every single vertical.

Be it Pharma/API, Finance, Insurance, Manufacturing, Retail, CD, or any other segment, Tech is going to give you edge over peers.

The spend on IT/Tech is going to increase stupendously in coming 4/5 years to levels we haven't even imagined. The investment in tech is going to help big get even bigger and put very hard survival barriers to new entrants.

BFL/HDFC Life from Fin/Insurance segment have one of the best tech platforms. IndiaMart relies on customer data monetization, Dmart has a very small but extremely strong team of data scientists

Even Nestle has very strong data scientist pool, Asian Paints story is well knows to everyone now. Not investing in IT/Tech is going to be your biggest mistake in investing journey.

If you think API/Pharma is in structural bull-run, Tech is on the next level. Pick right companies and just sit back!

Platform based companies know how best to monetize customer data. Retail companies like Dmart know how to slice customer segments are draw build demand & advance planning for days/months/years to come.

Nestle knowns which flavor in which segment (city/rural) in which area/locality would sell best. HDFC Life knows which profile, at what age is more prone to buy & continue paying premiums for the lifetime of the policy

To conclude: Do not take IT/Tech lightly. The IT spends going to go up. DeFi, FinTech are only going to intensify the spends.

Time to reach 50mn users is reducing at rapid pace. It took 68yrs for Airlines to have their first 50mn customers, 18 yrs for ATMs, 4 yrs for YouTube, and Pokemon Go took 19 days. Ref: HDFC Life Tech Insights

Only the payments segment is decently penetrated by PhonePe, Gpay, Amazon etc. Marketplace lending, Fintech Enablers, P2P lending, Insurance are still in early phase of tech revolution

The slice & consume approach is going to bring a lot many opportunities for tech startups. Unbundling of services will give rise to many companies, and even increased money flow in Fin/Tech/IT space

This will enrich digital/tech value chain across different segments such as consumer/insurance/pharma/services/retail/Auto etc.

The role of underwriter will go eventually once adoption of tech gets commoditized. The role of DP/Validator must go eventually as well.

The consumer experience will lead the way. People would want seamless experiences across different situations - be it work/leisure/personal. Whoever enables seamless consumer experience will have sticky customer base

The revolution that rocked enterprise software i.e. move from inside to outside (product to customer) also rock many companies including likes of HDFC Life/Dmart/Relaxo and many more. Names are not reco. Just for example

Digital assets will be on rise for all companies eventually as they continue to invest into core systems, enables, and consumption front.

With this, a lot of products will undergo on the fly transformations. Products will be made to suit individual customer and one product fit all time is now gone. Be it custom pricing algos or custom insurance products, cognitive platforms/algos will witness humongous rise

We are staring at scenario where we go from days to hours, and hours to minutes before a product is put together and consumed.

The next phase of growth will come from channels that were not existent earlier, enabled by technologies that were not used earlier. Hence, spend on tech is only way to accelerate growth & lead on.

For e.g. Swiggy integrating into OLA is one example of new channels based growth. Or purchasing a smartphone and bundling an insurance along. Platforms will provide some amazing integration capabilities to whoever is ready to grab such opportunities.

Embedded Finance/Insurance is already present in India & have integrated at platforms level quiet well. See those add insurance while you buy air ticket or a smartphone? That is embedded insurance

Taking example of insurance & how tech can being in growth: Automation in claim settlements can bring in as high as 30% reduction in costs - You don't need underwriter/claim validation officers

Companies will look to avoid risks rather than fighting to mitigate risks. Reason? - Tech will enable insights/analytics to such finer levels that you can actually know how to avoid risk. Earlier, such insights were unknown

Insurance companies are only spending 2% of their innovation efforts on claims automation, while distribution remains highest at 9%. Imagine the growth lined up ahead.

New data will give rise to new insights which will in turn give rise to new products and new business models, companies will transform from traditional insurance to InsureTech, Financials to FinTech

Even companies that haven't digitized their core yet can double their profits in 5 yrs only by digitizing existing business (even if we say now new business growth comes in)

We are at a tipping point in digital revolution where big becomes bigger, and laggards/late adopters will eventually die. So go back to your PF and see where does your company fits in.

As Tom king says - “It doesn’t matter how much business you sell today, it’s whether or not you can identify where [future] profits and losses lie, and what you need to jettison.”

And when we look back at companies now with this context, how on earth businesses such as Dmart/Bajaj/HDFC Life/Relaxo are expensive? Not at all. Change your perspective else you will forever remain at sidelines