Twitter Thread by Shaan Puri



Shaan Puri
@ShaanVP

Hmm... something interesting I learned from my buddy @RomeenSheth about McKinsey.

I thought they are just a stale boring consulting co

But he told me they've acquired a ton of software co's & now have a $100M ARR tech portfolio now (!)

I'll let him explain - guest thread!

If you don’t know, McKinsey is a gigantic consulting company:

- $10B+ in revenue
- 80%+ of the F500 as clients
- Hard to get a job there. (<1% of applicants get hired)

Their bread and butter (70% of revenue) used to be “pure strategy” work. That’s now down to just 10% - why?

Clients are demanding “value based” billing. Meaning less "guys in suits talking" and more "show me something tangible"

For example -lets say a client hires McKinsey because they think they are spending too much money on procurement.

So McKinsey acquired Orpheus - a software co that does analytics for procurement.

Instead of advice, they give them a tool (a real solution)

Now Orpheus has been around for 15 years. McKinsey can buy it at a fair price, knowing that it can inject steroids into the business.

Why?

McKinsey has what most software companies don't:

DISTRIBUTION: 80% of the Fortune 500 already works with them, and their brand is known by every CEO in america.

PRICING POWER: they can bundle the software in with a much larger consulting contract.

Over the last 5 years, McK acquired 10+ companies and created McKinsey Solutions - the business unit that's going to drive $100M+ ARR.

McKinsey has a really specific acquisition type, either VERTICAL or HORIZONTAL.

Vertical: Solves for a problem widely observed in an industry (eg. Pharmaceutical Co.)

Horizontal: Solves for a problem for a division that all companies have (eg. HR)

The unfair advantage they have is that McKinsey PRINTS money.

Billions in revenue, and consulting margins are 70%+

They can take that cash and re-invest it into tech, that makes them even more valuable.

The software play is a gamechanger for McKinsey.

It wouldn't surprise me if McKinsey builds a $25B+ software portfolio over the next 10 years. There's a very quiet (but massive) business model transformation playing out

Shoutout to @RomeenSheth for the insights. Follow him!

Some interesting names they've acquired:
Orpheus
Numetrics
Veryday
Lixto
QuantumBlack
4Tree
Lunar
VLT Labs

via @MBentivoglio