LIQUID × Avasta

Challenger Index

Edition 1: **B2B Products 2023**

B2B AI

MYRIOUS GROUP

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Category: B2B Artificial Intelligence

B2B AI: A forward-looking analysis

Evolving landscape of B2B AI

The B2B Artificial Intelligence (AI) sector stands at a pivotal point in its evolution. This relatively young category is witnessing a unique trend: the incumbent leaders have the lowest usage rates, while challenger brands are rapidly gaining ground. Over the next 5-10 years, these challengers are expected to receive stronger purchase consideration scores compared to incumbents. This shift indicates a significant market transformation, where businesses are either adopting AI solutions for the first time or migrating away from traditional Business Intelligence (BI) platforms, with the potential for tens of billions of dollars to migrate as B2B AI software seeks to supplant BI software.

Struggling to maintain dominance

IBM, Microsoft and Google, the leading incumbents in the B2B AI space, face distinct challenges. IBM, despite its long-standing presence, struggles with brand reputation and market relevance. Microsoft's broad AI impact is overshadowed by its identity crisis, as its collaboration with OpenAI blurs its B2B AI offerings. Google, while a key innovator, grapples with issues in deployment and competitive positioning against rising AI entities like OpenAI. These challenges for incumbents highlight a market ripe for disruption.

Redefining the B2B AI market

Challengers like Salesforce, Oracle and Qlik are repositioning themselves as formidable competitors in the B2B AI landscape. Salesforce, leveraging its CRM expertise, has successfully integrated AI across various business functions. Oracle, with its strong technology foundation, is focusing on autonomous AI solutions and generative AI strategies. Qlik's focus on innovative product strategy and strategic AI integration positions it as a significant player in both BI and B2B AI.

Competition and market trends

The competition in the B2B AI space is intensifying, with challengers threatening to outpace incumbents. A key trend is the emphasis on practical applications of AI in business tasks, a shift from theoretical AI advancements to real-world solutions. This trend is further fueled by the increasing importance of data security, privacy and governance in AI applications.

Technology and product trends

There is a clear shift towards cloud-based AI services, autonomous solutions and integrative approaches. AI's role in CRM systems, predictive analytics and automated decision-making is gaining momentum. Furthermore, generative AI models are becoming increasingly important, offering new capabilities for businesses.

Brand perception and momentum

While incumbents like IBM and Google hold strong historical positions in AI, their current brand momentum is waning. In contrast, challengers such as Salesforce and Oracle are witnessing positive brand momentum, reflecting their evolving strategies and market perception. The brand strength and market positioning of these companies will play a crucial role in shaping the future B2B AI landscape.

Future outlook

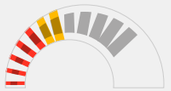
The B2B AI industry is expected to see a surge in adoption rates, with challenger brands likely leading the way. The focus will be on balancing innovation with user-friendly and cost-effective solutions. The market will also witness a growing emphasis on AI applications that are directly aligned with specific business needs rather than generic AI tools. The promise of AI as a multi-trillion dollar share of the economy is driving investment not only from large incumbents but also from venture capitalists flush with cash. The risk lies in whether the cost of access becomes prohibitive for most companies.

An industry in transition

The B2B AI sector is undergoing a significant transformation. As incumbents strive to reinvent their strategies, challengers are poised to redefine the industry norms. The success in this evolving landscape will depend on the ability to deliver practical, scalable and secure AI solutions that meet the evolving needs of businesses. Those who can effectively balance technological innovation with strong brand positioning and customer-centric approaches will emerge as the new leaders in the B2B AI space.

B2B AI: incumbents leading the category

Overall brand perception: 1.7



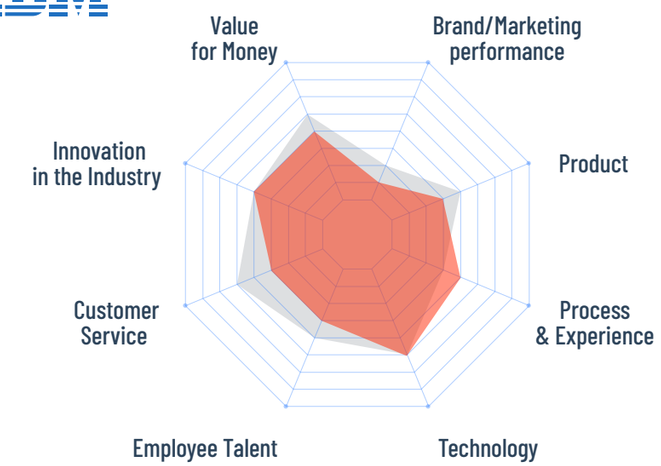
Industry Averages for Brand Perception: 2.2

Likelihood of becoming a category leader

Future Momentum

4 → 6

Rank 5 years ago | Rank 5 years from now

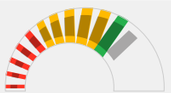


IBM: Evolving amidst challenges

IBM Watson, despite being a leader in B2B AI, faces challenges in translating its decade-long investment into category strength. With the weakest brand reputation among its peers and negative brand momentum, IBM is at risk of losing market share in the next 5-10 years. Watson, known for its "Jeopardy!" win, has seen mixed success, especially in healthcare. The recent launch of WatsonX, evolving into a practical AI tool for business tasks, marks IBM's ongoing efforts to revitalize its AI strategy and offerings.

TTM Total Revenue	$61.17B (+1.05% YoY)
Market Cap	$142.05B (+5.90% YoY)
Target Price	144.50
Entity Type	Public
Employee Size	311,000
HQ	Armonk, NY, USA

Overall brand perception: 2.1



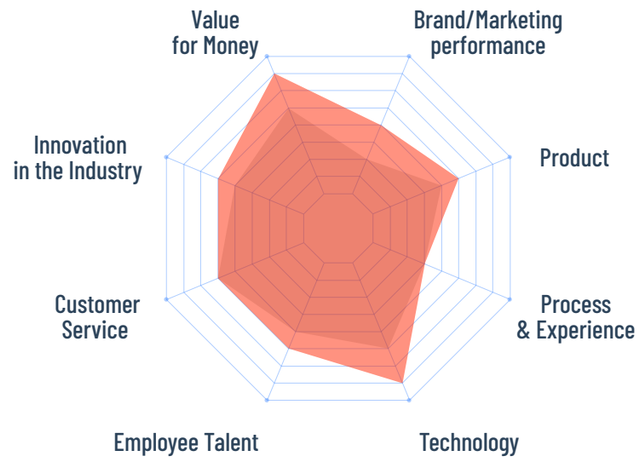
Industry Averages for Brand Perception: 2.2

Likelihood of becoming a category leader

Future Momentum

1 → 2

Rank 5 years ago | Rank 5 years from now

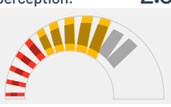


Microsoft: Broad impact, identity challenge

Microsoft, with over 30 years in AI, is not a top three future AI leader but leverages its vast size and reach to establish incumbent status. Its AI focus spans speech recognition to natural language understanding. The Azure AI platform runs large-scale models like GPT-3.5 and DALL•E 2, impacting various applications. However, Microsoft's AI identity risks being blurred by its close ties with OpenAI, creating ambiguity in its distinct B2B AI offerings versus those from this collaboration.

TTM Total Revenue	$218.31B (+7.50% YoY)
Market Cap	$2.81Tn (+52.52% YoY)
Target Price	413.00
Entity Type	Public
Employee Size	221,000
HQ	Redmond, WA, USA

Overall brand perception: 2.0



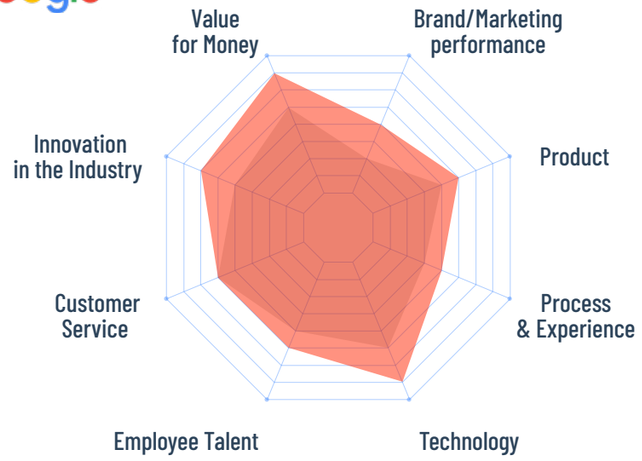
Industry Averages for Brand Perception: 2.2

Likelihood of becoming a category leader

Future Momentum

2 → 3

Rank 5 years ago | Rank 5 years from now

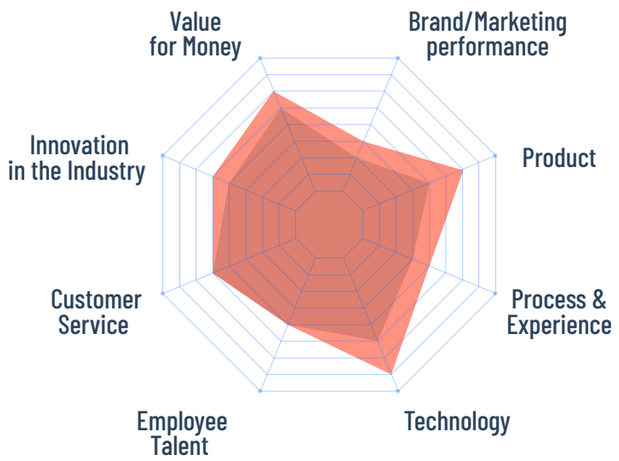


Google: AI innovator with challenges

Google stands as a B2B AI incumbent, with key innovations like Google Translate, TensorFlow, AlphaGo and TPUs. Recent advancements include BERT for search enhancement and AlphaFold in protein research. However, Google faces challenges with its Search Generative Experience, impacting web traffic and publisher relations. Google's difficulties in launching Bard this year have inadvertently highlighted OpenAI's competitive edge. These issues highlight the complex dynamics in AI development and deployment, even as Google maintains its position through continuous technological progress and a strong history in AI.

TTM Total Revenue	$297.13B (+5.32% YoY)
Market Cap	$1.72Tn (+36.00% YoY)
Target Price	153.00
Entity Type	Public (Alphabet)
Employee Size	181,798
HQ	Mountain View, CA, USA

B2B AI Challenger Profile: Salesforce



Summary:

Salesforce, "the customer company," was founded in 1994. It has since been a provider of enterprise software for CRM and other client needs, including support for and in the cloud. All of its products emphasize unity across these areas, along with marketing and app development, so its clients can be customer companies too.

TTM Total Revenue	$33.07B (+12.79 YoY)
Market Cap	$218.72B (+42.63% YoY)
Target Price	255.00
Entity Type	Public
Employee Size	79,390
HQ	San Francisco, CA, USA

AI challenger in CRM and beyond

AI-focused ecosystem development

Salesforce, poised to challenge the top three B2B AI incumbents, has developed an ecosystem where AI deployment plays a critical role, leveraging a vast array of managed data. The company's AI journey began in 2014 with the ambition to democratize AI, marked by the acquisition of RelateIQ and the introduction of the Opportunity Scoring model. This evolution led to the 2016 launch of Salesforce Einstein, now a leading AI in CRM, generating over one trillion predictions weekly and making AI accessible across various business functions.

Integrating AI into sales cloud

In its forward-looking strategy, Salesforce is embedding AI into its Sales Cloud platform, enhancing productivity and growth. Innovations like Copilot for Sales provide AI assistance in CRM updating and account research, while AI tools automate tasks like email creation and call summarization. Leveraging real-time internal and external data, Salesforce aims to shift focus from routine processes to customer engagement, underlining AI's transformative potential in sales.

Customer experiences and challenges

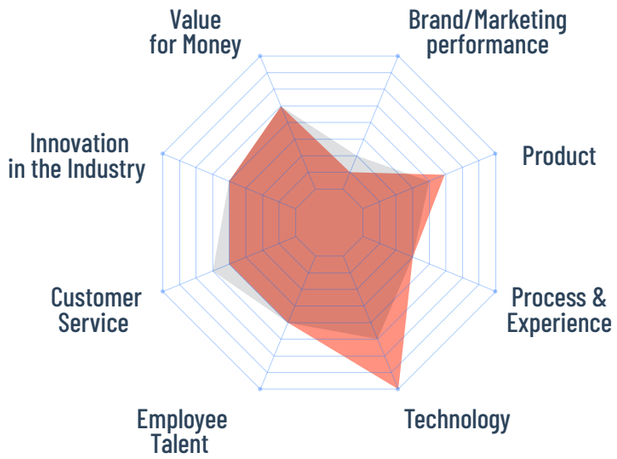
Salesforce's Einstein platform has received mixed customer reviews. Users praise its automation features and scalability but are challenged by its complexity and cost, particularly for smaller businesses. The learning curve for advanced features and issues with technical support add to these challenges. While Salesforce's AI tools are powerful, their complexity and cost are significant considerations for users.

Conclusion: Balancing innovation and accessibility

Salesforce's journey in B2B AI is characterized by significant innovation, particularly in integrating AI into CRM systems. However, making this powerful technology user-friendly and cost-effective outside of enterprise companies remains a challenge. As Salesforce advances its AI capabilities, addressing these user concerns will be key to maintaining its position as a formidable challenger in the AI landscape.

B2B AI Challenger Profile: Oracle

ORACLE



Summary:
Founded in 1977, Oracle is a premier global provider of enterprise software solutions, including database, cloud computing and enterprise resource planning products. Oracle has been a trailblazer since its inception, having introduced one of the first commercially available SQL-based databases in 1979.

TTM Total Revenue	$50.96B (+15.41 YoY)
Market Cap	$319.06B (+43.06% YoY)
Target Price	135.00
Entity Type	Public
Employee Size	210,322
HQ	Austin, TX, USA

A rising B2B AI challenger

Strengths in technology, weakness in brand

Oracle, a renowned technology company, is emerging as a formidable B2B AI challenger. It is in a unique position to leverage its strong technology foundation but must overcome its weaker brand recognition to dominate the AI landscape. Oracle's positive scores and purchase intent in various product categories indicate its potential resurgence in the B2B AI arena.

Harnessing AI's potential

Oracle is making significant strides in enhancing its AI capabilities. Leveraging its extensive database and cloud infrastructure, the company is focusing on autonomous AI solutions, including self-driving databases and automated machine learning. Additionally, Oracle is committed to cloud-based AI services and chatbots, positioning itself as a prominent player in the AI space. These initiatives demonstrate Oracle's dedication to unlocking AI's potential for its customers.

Generative AI strategy

Oracle's comprehensive generative AI strategy spans infrastructure, cloud services and application integration. They collaborate with NVIDIA to provide robust infrastructure for AI model training and partner with Cohere to offer accessible cloud services for developers. Furthermore, Oracle plans to integrate generative AI models into its applications, improving user experiences and decision-making. Their emphasis on data security, privacy and governance distinguishes them in the generative AI landscape, offering industry-specific models and flexible deployment options.

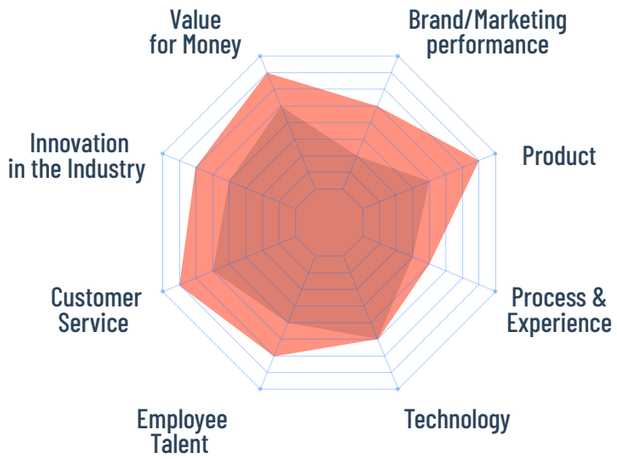
Oracle: Coming for the incumbents

In the competitive AI landscape, Oracle has introduced a three-tiered generative AI strategy to take on industry giants like Microsoft, Google and IBM. The first tier focuses on OCI Supercluster, delivering potent AI supercomputing services. The second tier empowers enterprises with generative AI capabilities, utilizing their data and incorporating foundational models from Cohere. The third tier involves the integration of generative AI into Oracle's Fusion Cloud and NetSuite applications, enhancing employee productivity and insights.

Conclusion: A strong contender with brand challenges

Oracle's strengths in technology and its comprehensive approach to AI make it a rising star in the B2B AI space. However, the company faces a significant challenge in improving its brand recognition to match its technological prowess. Overcoming this hurdle will be crucial for Oracle to establish itself as a dominant force in the B2B AI market.

B2B AI Challenger Profile: Qlik



Summary:
Qlik, formerly Qliktech, was founded in 1993. It's a private company that provides business analytics and intelligence solutions, such as data discovery and visualization tools, primarily to SMB clients. Today, Qlik serves more than 40,000 customers globally. In 2022, Qlik announced its intention to commence an IPO.

TTM Total Revenue	$500M - $999M (2016)
Market Cap	N/A
Target Price	N/A
Entity Type	Private Company
Employee Size	3,600
HQ	King of Prussia, PA, USA

Emerging B2B AI and BI challenger

Innovative product strategy
Qlik, a BI and B2B AI challenger founded in 1993 in Sweden, initially focused on data analysis through QlikView. Rapid expansion followed, including international ventures and strategic acquisitions, boosting AI and data integration capabilities. Qlik's innovative product strategy, coupled with impressive product and innovation scores, sets the stage for future growth in the BI and B2B AI landscape.

Solving the future purchase puzzle
Qlik's challenge is that it has a brand and product suite that is admired from a distance but without the same commitment or willingness to buy in the future. Bridging the gap between perception and market reality is the key to becoming a dominant brand in the category. Solving purchase drivers is paramount for Qlik's success.

Strategic AI integration
Qlik's AI strategy revolves around enterprise-wide integration, focusing on high-quality data as the cornerstone of AI implementation. Aligning AI deployment with core strategies and fostering a culture of growth and experimentation are top priorities. By championing data readiness and nurturing an AI-centric corporate culture, Qlik aims to reshape modern enterprises through AI.

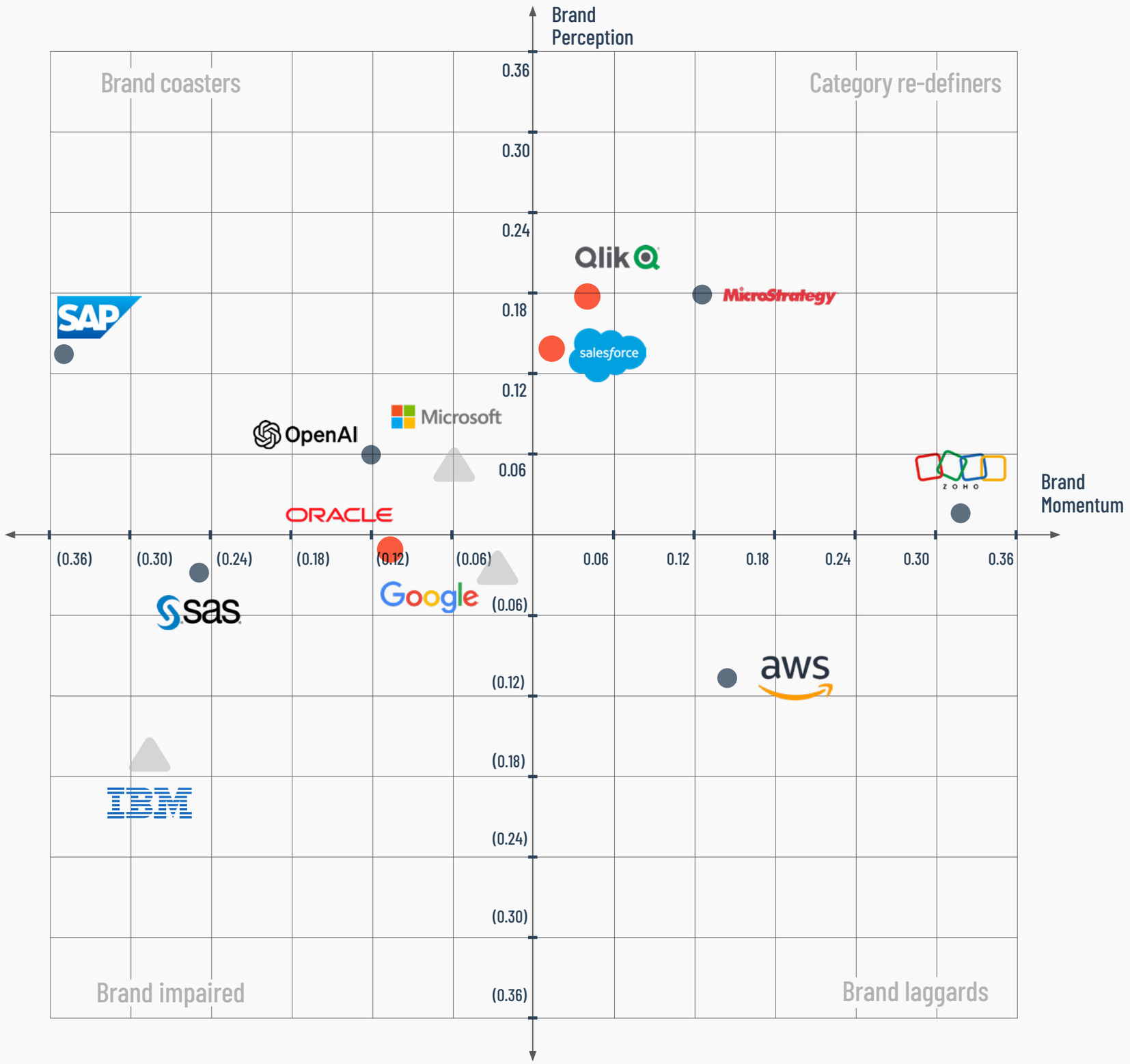
Customer reception and market position
User reviews highlight the effectiveness of Qlik's predictive analytics and AI capabilities in enhancing data analytics and business intelligence functions. Positive ratings on Gartner Peer Insights and G2 underscore the value of its AI features. These reviews reflect a positive perception of Qlik's AI capabilities.

Conclusion: Navigating potential and perception
Qlik's journey illustrates a company leveraging innovation and acquisitions to expand its capabilities. While customer reviews are positive, the challenge lies in converting current admiration into future market share. Prioritizing purchase drivers and maintaining a focus on AI integration positions Qlik to navigate the delicate balance between potential and market perception effectively.

B2B AI Challengers: Honorable mentions

aws	**Opportunity:** AWS has the opportunity to improve its brand score in B2B AI and capitalize on its strong performance scores, ensuring it remains competitive in the market.	**Risk:** If AWS's brand score for its B2B AI offering does not improve, it runs the risk of being outpaced by competitors despite its strong performance in other areas.
OpenAI	**Opportunity:** OpenAI, despite its weak brand marketing performance score, has the opportunity to leverage its disruptive technology to become relevant in the B2B AI landscape.	**Risk:** OpenAI's weak brand fundamentals and reliance solely on disruptiveness as a calling card may hinder its growth and competitiveness in the market.
MicroStrategy	**Opportunity:** Microstrategy, a 34-year-old company, can leverage its niche following and next-generation profile to make a significant commercial impact in B2B AI.	**Risk:** Microstrategy needs to shed its historical narrative that is no longer relevant to drive growth in the B2B AI space.
ZOHO	**Opportunity:** Zoho's positive brand momentum scores provide an opportunity for the company to fend off competition in Marketing Automation and CRM spaces by leveraging its next-generation tools.	**Risk:** Zoho faces a risk from larger and more well-funded competitors who could put pressure on the company through pricing or other incentives, potentially impacting its market position.

B2B AI: Future performance



Category re-definers
Long term will win share: the brand and market demand are in sync; brand is supporting purchase intent.

Brand coasters
Long term has permission to correct for shortfalls in drivers of category demand: the brand has a positive reputation but declining share of future demand.

Brand impaired
Long term will lose share: brand is declining in reputation and company is increasingly declining in growth and retention.

Brand laggards
Long term will miss out on maximum potential share: the brand is not effective at conveying the competitive advantages that meet future demand.

Incumbent
Challenger
Honorable Mentions

Liquid x Avasta Challenger Index: Assessing brand dynamics

The Challenger Index stands as an essential instrument for both B2B and B2C sectors, offering a strategic perspective to evaluate brand strength, market alignment and potential for growth. With its neutral, outside-in assessment approach, the Challenger Index highlights the multi-dimensional nature of brand dynamics—financial, technological and behavioral—to inform and shape robust business strategies.

About the study authors

Liquid Agency
www.liquidagency.com
Liquid Agency is a brand consulting and activation company that orchestrates brand, employee and customer experiences to fuel a company's growth. For over 21 years, Liquid Agency has shaped powerful B2B and B2C brands such as: GE, Hitachi, HP, Intel, Nike, Nordstrom and Walmart. Liquid Agency helps organizations build belief in who they are, what they do and where they're going. The results are lasting bonds with employees and customers that power organizational performance, create value and capture ROI.

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