



THE STATE OF TECHNOLOGY & CULTURE

'Conscious Consumer'



Introduction

MaC Venture Capital (MaC VC) is the result of the merger between successful Los Angeles and Bay Area based Seed funds, Cross Culture Ventures and M Ventures. MaC VC is an early stage venture capital firm focused on finding ideas, technology, and products that can become infectious.

Global popular culture is becoming an efficient market through the convergence of distinct cultures and technology companies playing an increasing role in this process. MaC VC invests in companies with teams and products that capture the value created by this evolution. Periodically, MAC VC compiles a list of cultural trends that we believe to be influencing global popular culture, termed Culture Shifts. These shifts represent areas that we, collectively, believe hold great opportunities for growth, innovation, and of course, investments in the coming year.

“Actions speak louder than words” is the old adage spoken by parents and grandparents everywhere when admonishing members of the younger generation to pay close attention to what’s been done as opposed to what’s been said. Meaning generally, that your claims and promises can only get you so far in life. When the rubber hits the road, it’s what you do that will leave a lasting impact.

Those words served us well growing up, but in today’s world of technology and social media – where screenshots last long past a deleted tweet or a Facebook post, words can far outweigh actions and in some instances, can cause significant damage to not only our personal lives but our businesses as well. As we have seen recently, companies, brands, and bottom lines are susceptible to words, too.

In our latest installment of the Culture Report, we look at how companies are managing in an era where words and the intentions behind them can have a lasting effect. And consumers are wielding considerable power in an attempt at holding them accountable for not only their actions but their words and who they align with on a variety of hot-button issues.

This growing shift in consumer behavior and the ensuing battle between companies and consumers represent a significant transition in brand to consumer behavior and we believe that companies that are attuned to consumer sentiment especially when it comes to controversial issues, can use this to their advantage in a crowded marketplace and ultimately, impact their bottom line for the better.

From the Garage to the Boardroom

The idea of startups as scrappy little businesses founded by nerds in garages and college dorm rooms have been a part of the legend of Silicon Valley for quite some time. It has been well documented that Steve Jobs and Steve Wozniak started what would eventually become Apple in a garage in Silicon Valley. Google also had humble beginnings; with Larry Page and Sergey Brin doing some of their initial work for what would become the world's largest search engine in a garage owned by Susan Wojcicki. And lest we forget, technical folklore also tells us that Mark Zuckerberg started Facebook in his dorm room at Harvard.

Despite these humble beginnings, these three startups have now matured to become three of the largest companies on earth. Apple, maker of the iPhone, recently made news as the first company with a [trillion dollar valuation](#)ⁱ and is the creator of some of the most iconic electronic products ever created. Google, arguably its rival is another behemoth of the technology world. With a market cap

of \$754 billion, and responsible for the Android operating system, the company, with its search and advertising products have changed the way that consumers interact with the Internet for years to come. Last but not least, Facebook is the largest social network in the world and boasts 2.19 billion monthly active users.ⁱⁱ With its purchases of Instagram (700 million monthly active users)ⁱⁱⁱ and WhatsApp (1.9 billion monthly users)^{iv}, Facebook touches the lives of almost every person on earth.

These companies and the services that they provide, have cemented themselves into our daily lives. In addition to those listed above, Amazon and Netflix, are two former startups of note whose names now represent not only products and services we seem unable to live without, but also some of the most profitable companies around. Collectively, they are often referred to in investment circles as FANG (or more recently FAANG) and are some of the most popular technology stocks on the market; consistently delivering great returns for investors.

As a society, our increasing dependency on the technological services and products that these companies provide make them also some of the highest performing stocks on the S&P index. They create products that have enhanced



Figure 1 - Spiderman graphic

our lives; from apps to physical devices and products in the real and virtual worlds that we simply could not imagine life without. But, as the saying goes; 'With great power comes great responsibility'.

For quite some time, technology companies and their products existed and thrived even, without much or any regulation and very little oversight.

Indeed, the popular Silicon Valley belief in meritocracy has long held that the cream always rises to the top and that success is wholly determined based on merit alone. We now know this to be a fallacy. Once these startups became public corporations, they could take solace in the fact that their only responsibilities were to make profits for their stockholders and beat the market. Those days are no more. Today, corporations and their corresponding brands are being held responsible for everything from their design, to their products, their positions on hot-button topics, as well as their association with controversial figures. They have much more at stake now, particularly when it comes to consumer sentiment. And consumers are keen to let them know when they simply do not measure up to expectations.

A New Era

The election of Donald Trump in 2016 represented a critical moment not only in politics but also in business. In a country already divided, Trump's election marked a watershed moment for brands and corporations with regard to consumer sentiment. A former businessman, Trump was mainly known for his branded hotels, casinos and consumer goods. But during his campaign, his opinions drew the ire of many. From his questioning of President Obama's citizenship to his comments on Mexicans as rapists, the then-candidate left little room for ambiguity when it came to controversial topics.



Figure 2: Trump Twitter graphic

After his election as President, he took to Twitter, the social network, to share his views on immigration and the failings of the previous administration as well as brands that he did not support. The use of a social network by a sitting president was something that had only been in regular practice since the previous president Obama had made technology and social media a significant part of his campaign and presidency. But Trump took to the platform like no other. In his first few months, he reserved his disdain for mostly media companies. The NY Times became “the failing NY Times and after a mostly negative review of the Trump Grille, he predicted the ‘downfall’ of Vanity Fair. Weekly variety show Saturday Night Live, after airing a popular sketch depicting the President as a mostly inept leader, he went after NBC Universal, which aired the show.

But brands were not immune either and one of the first casualties of Trump’s attacks was airline manufacturer Boeing.

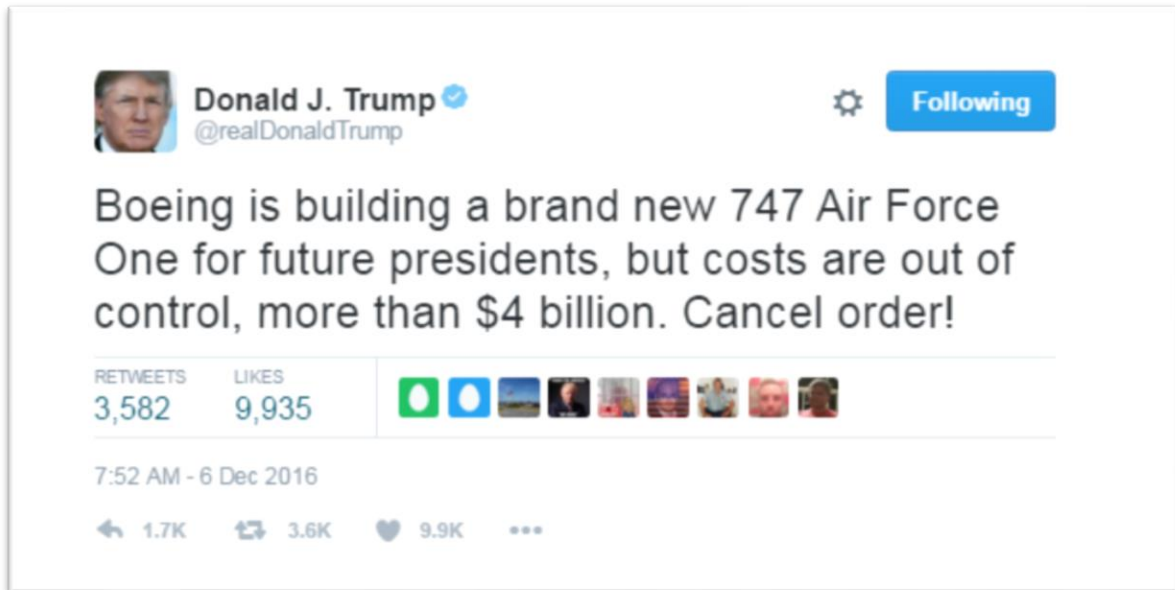


Figure 3: Boeing tweet from Trump

After Trump's tweet, shares of Boeing's stock dipped, costing the company just under \$1 billion. The shares eventually recovered, but Trump had ushered in an era of social media as bully pulpit.

And while his supporters were keen to attend rallies touting his achievements, Trump's opponents were rallying to hit him and brands that aligned with his controversial views where it really hurts; in the wallet.

Shannon Coulter is the founder of GrabYourWallet, an online movement that began in the wake of the infamous Access Hollywood tape of the President speaking crassly about women. It was then, that she and friend Sue Atencio joined forces and created the hash tag with the same name and thus, #GrabYourWallet was born. Quite simply, the goal was to encourage supporters to boycott companies that did business with the Trump family. Since its inception in 2016, however, 36 companies have severed ties with the Trump organization and family. They include Nordstrom, Neiman Marcus and Carnival Cruise. Amazon, Apple and Google remain on the list.

While the movement behind GrabYourWallet started online via social media, the organization has plans to transition to a non-profit to better serve the needs of consumers. “Now, people are expressing a desire for GrabYourWallet to help them shop in a way that’s aligned with their values overall. I also think there’s an opportunity for GrabYourWallet to help make workplaces more respectful, inclusive places” Coulter told me via email. She also believes that this represents a shift in the way that consumers see companies and brands. They are looking past products and aiming to understand how companies *do business* and are peering past just cost and quality as initial drivers for their support of a brand.

“My sense is that there’ s a growing number of consumers who want to know about the ethical dimensions of a company such as how transparent it’s supply chain is, how inclusive its board and senior executive teams are, whether or not it has connections to hyper-partisan people and organizations, and how it treats workers both here and in other countries” she added.

Most recently, Coulter and #GrabYourWallet were credited with being the reason that famous first daughter Ivanka Trump shut down her eponymous fashion and show line. While not the sole reason, GrabYourWallet has been putting pressure on retailers carrying the brand.

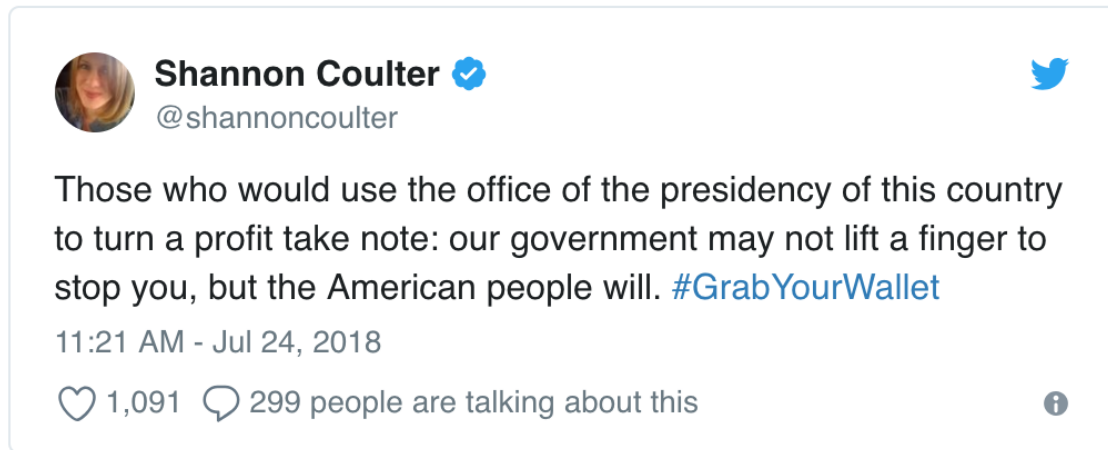


Figure 4: Tweet by Shannon Coulter

And this rings true; businesses are being held to a higher standard by consumers who are keen to pull their financial support of products and services if they do not align with their personal and moral beliefs. Today's consumers are increasingly becoming outspoken advocates for or against major issues and show a willingness to exercise their right to let companies know on which side of important issues they expect them to reside. They include topics like gun control, abortion and the racial divide. And, there's a lot at stake. Coulter recently announced a new initiative called #BlockParty500. The goal is to get as many Twitter users as possible to block every Fortune 500 Company that advertises on Twitter in an attempt to force reluctant CEO Jack Dorsey to dismiss controversial talk show host Alex Jones from the network. The blocking of 931 companies started on the morning of August 12, 2018. So far, over 71,000^y Twitter users have joined the #BlockParty.



Figure 5: Tweet by Shannon Coulter re: #BlockParty500

The rise of social media as a sales tool and a way for consumers to interact directly with a brand has changed the way that we communicate in the public space. Communication is often more casual and these social platforms have opened up direct-to-consumer channels that previously did not exist. Social media platforms have now become an integral part of brands and corporate communications strategies where Facebook pages and Twitter accounts allow consumers to respond directly to brands in their own words.

Most brands these days maintain social media accounts on the major platforms and these platforms are often barometers of consumer sentiment. Brands that run afoul of popular consumer sentiment or make egregious missteps on social media are finding the repercussions to be swift. Take for instance, Pepsi's much-maligned "Live For Now Moments" commercial starring model Kendall Jenner. The ad premiered in April of 2017 and was immediately panned. Within 48 hours,

the video had amassed 1.6 million views on YouTube and many more mentions on social media networks. But this is certainly not the kind of publicity that Pepsi was hoping to garner. The ad was accused of making light of the recent Black Lives Matter protests that were a response to the spate of police killings of unarmed black men and women across the country.



Figure 6: Still from Pepsi “Live For Now Moments and protest photo

Consumers are becoming more passionate about issues that they believe in and they expect brands to share their passion in exchange for their financial commitment. Brands, for the most part though, are not measuring up.



Figure 7: Chart from 2017 Edelman Earned Brand Study

A 2017 Edelman Earned Brand Global Report found that not only are consumers less convinced that brands align with them in areas of purpose and unique character; but that it now matters more than ever before where brands land on major topics. 57% of consumers are buying or boycotting brands based on a

brand's position on a social or political issue and the number of consumers who are buying or boycotting has risen 30%.

The very platforms that facilitate this new dialogue between brands and their consumers also allow people of like minds to organize around a cause and sentiments can spread like wildfire. These platforms live on our computers to our omnipresent mobile devices and keep consumers engaged via notifications and badges, making the combination of social and mobile more potent and effective than other advertising channels such as print and traditional advertising.

Recently, Snapchat came under fire for running an ad that appeared to advocate or display an insensitive tone regarding domestic violence. The ad was promoting a game called 'Would You Rather' and featured photos of the pop star and her former boyfriend Chris Brown. In the "game", viewers were asked if they'd rather slap Rihanna or punch Brown.

After being made aware of the ad, Rihanna took to Instagram (SnapChat's main competitor) to blast the company saying "Now SNAPCHAT I know you already know you ain't my fav app out there! But I'm just trying to figure out what the point was with this mess!" the singer wrote. "I'd love to call it ignorance but I know you ain't that dumb. You spent money to animate something that would intentionally bring shame to DV victims and made a joke of it."^{vi}

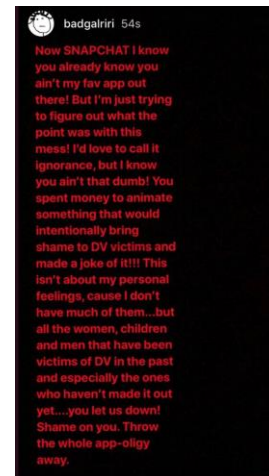


Figure 8: Rihanna response to SnapChat

While SnapChat was quick to remove the ad and refer to its placement an oversight, it has been reported that the day after the Rihanna's post, the company's stock fell 4% reducing the company's market cap by \$800 million^{vii}.

While regulation might be a discussion for down the line, the idea of tech companies' overall responsibility to consumers has become a more important topic of discussion as of late. Our daily lives have become inextricably linked to the technology (hardware and software) products that we use everyday; we can't live without them. Computers and servers power businesses and global markets and we depend on companies like Uber and Amazon to live our lives. So, where do these companies' responsibilities to their consumers lie? Does it end with the delivery of the service or product? The resounding answer is no.

In the wake of 2016's Muslim ban, users of the popular ride-sharing app Uber rebelled. The rebellion was the result of the company enforcing its surge pricing during protests at airports around the country and reportedly cost them 200,000 users^{viii}. Assuming a \$1,000 customer lifetime value, 200,000 users would equate to a \$200,000,000 in lost revenue—a non-trivial loss for any company.

Lyft, who was the first of the ride sharing giants to make a stand against the immigration ban increased users in the month of February 2016 by 137%^{ix} over the previous year, likely acquiring some of the users unhappy with Uber. (Next Web). In response, Uber immediately corrected, seeing that the costs of being out of favor with the general public was much more expensive than being out of favor with the government.

Seeing these developments, tech companies have been aggressively reframing their positioning on immigration, privacy, and inclusivity in opposition to public policies. For example, in March of 2017, Twitter rejected the request from Homeland Security to reveal the name of political activist, 'ALT-UCIS,' and then sued the US government for asking^x.

Facebook, too, has not gone unscathed. After receiving backlash for sponsoring fallacious content widely believed to have influenced the last presidential campaign and election, Facebook is aggressively engaging initiatives to remove

fake news from the platform. Recently, the social networking behemoth's stock suffered its largest one-day drop in history; amounting to roughly \$119 billion.^{xi} The widely reported loss was supposedly the result of slowing user growth. But given the recent controversy, it is difficult not to assume that consumers abandoning the platform did not contribute to the lower numbers.

Gauging Consumer Sentiment

In general investment terms, consumer sentiment typically refers to the overall impression of the economy based on consumer opinions. The idea being that when consumer sentiment is up, the markets will react positively and when it's down, they will behave accordingly as well. While consumer sentiment is still very much an overall barometer of the health of the economy, there is something that affects companies' economic health more directly. Consumers are now holding corporations to higher standards. They are no longer asking brands what they stand for but what they 'stand up' for. Users today are more vocal about important issues of the day and have no qualms in using their dollars to show support for brands that align with their values and withholding support financially or outright boycotting brands that do not.

A 2017 Cone Communications CSR Study revealed "Americans are willing to use their voice and dollars as a force for change, becoming a company's staunchest supporters – or detractors."^{xii}



Figure 9: Charts from 2017 Cone Communications CSR Study

This represents a shift, not only in public consciousness but, in public expectations. Consumers have put values front and center when it comes to making the ultimate decision as to where and how to spend their hard-earned dollars. But, there is a well-documented benefit for companies who live up to these expectations. According to the same study, when a company supports a social or environmental issue, consumers respond in kind with their loyalty that in turn, is evident in bottom-line rewards.

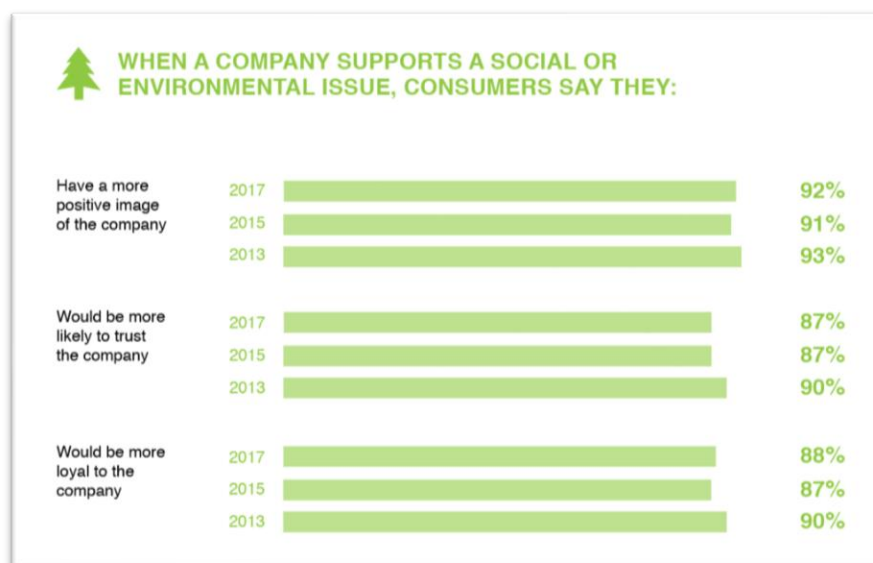


Figure 10: Chart from 2017 Cone Communications CSR Study

Among the top considerations that consumers deem to be important indicators of a company's responsible business practices are "Operating in a way that protects and benefits society and the environment" and "standing up for important social justice issues. The chart below shows how more controversial issues fare when it comes to consumer sentiment. It appears then, that companies who take a firm stand on these issues fare to benefit from consumers. But consumers want to see more than just a benign statement; companies must show clear actions accompanying these statements to convince consumers that there is a clear commitment to the cause.

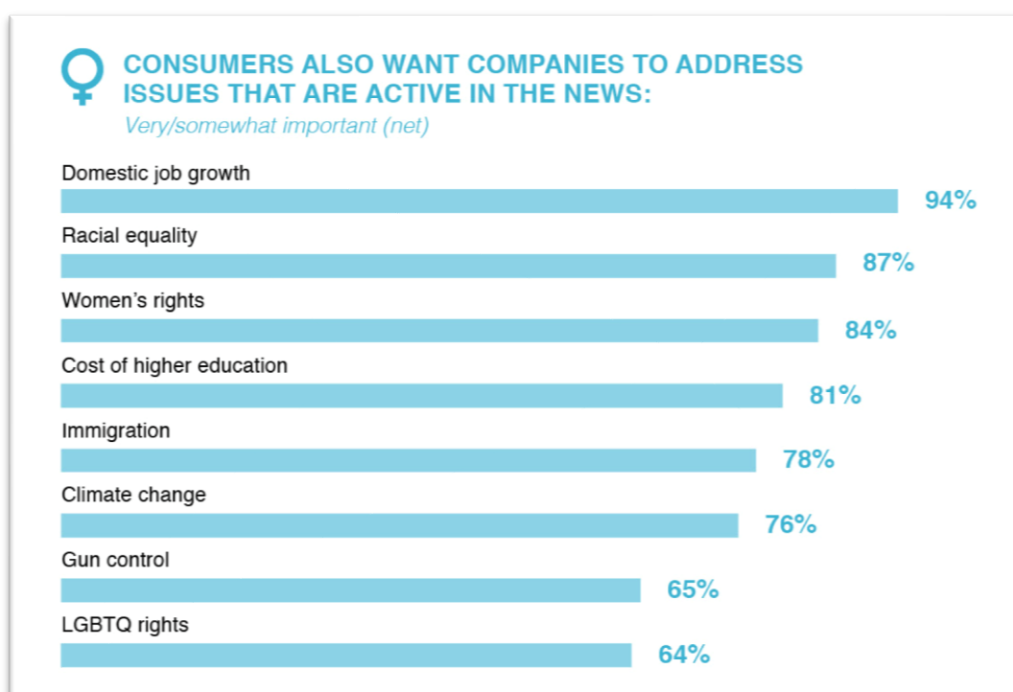


Figure 11: Chart from 2017 Cone Communications CSR Study

What is clear is that consumers are no longer willing to stay silent when it comes to their support of brands that represent causes that are important to them. Millennials lead the charge when it comes to using their beliefs to drive their support or lack of—for brands. According to the 2017 Edelman Earned Brand Study, in India, China, UAE, US and Mexico, "millennials are most likely to buy based on shared beliefs."^{xiii} Millennials represent a growing and valuable sector

of the population. They are passionate, more engaged and dedicated to causes that are important to them in a way that previous generations have not been. They do not respond to canned messages that co-opt culture and attempt to placate their demands. Issues such as immigration, gender equality, the environment and racial divisions are of paramount importance to them. For this group, they speak not only with their voices but with their social influence and their wallets.

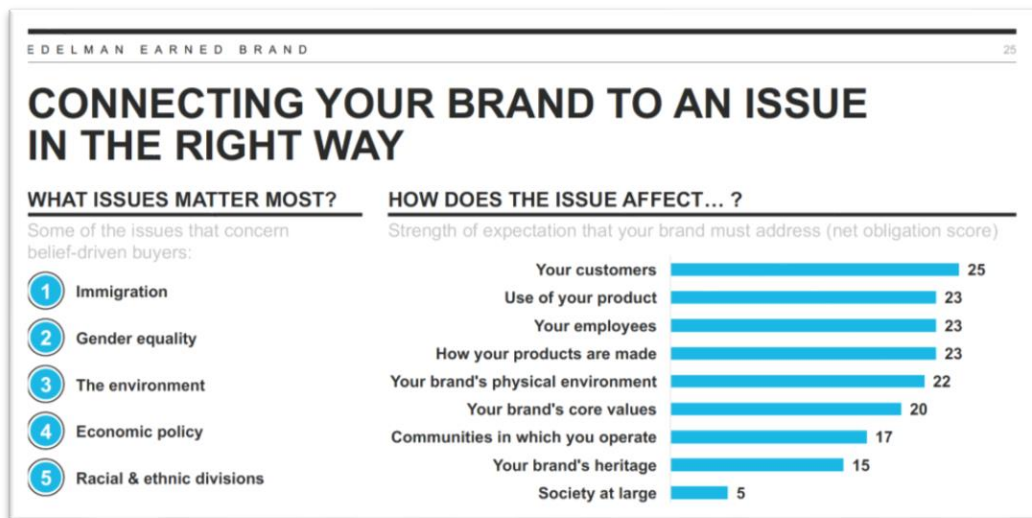


Figure 12: Chart from 2017 Edelman Earned Brand Study

Tech Intervention

The ascendancy of technology in fostering new means of communication has had a significant impact on the way that consumers perceive brands and corporations.

While the aforementioned plan to move towards non-profit status is still in motion today, #GrabYourWallet is little more than a regularly updated spreadsheet that consumers can browse to see what companies support Trump and sell Trump related products. Companies with ties to the NRA or the gun industry are also listed. Visitors are provided with a script that they can use when calling a

company or organization on the list. But if the numbers behind #BlockParty500 are any indication, the numbers behind this movement is huge and growing. For companies not willing to wait until there is a crisis at hand, how can they gauge consumer sentiment – whether it be about their products and services or advising consumers generally where they stand on issues?

Ajua (formerly known as mSurvey)

Ajua is a mobile conversation platform that helps companies to have real time conversations with consumers. By creating structured conversations with customers, the company can help their clients to build customer profiles that offer insights into who their customers really are. Clients get data on what customers purchase and can gain insights into their overall experience with the brand, level of satisfaction with purchases and much more. Because this data is captured in real time by users on their mobile devices, that level of immediacy is important for clients who range from big brands like P&G to educational institutions like Columbia University. The company uses scalable messaging (surveys are conducted via secure mobile) to engage with customers. The founder, Kenfield Griffith, PhD., believes that this has far reaching effects. “We believe to drive a country’s economic growth one has to understand its consumers, and we solve this problem through conversation. Ajua enables scalable conversations with consumers through messaging on their mobile phone, to quantify the likes and dislikes for business decisions” he told us recently.

The service and its convenience come at a time when mobile penetration is at an all-time high. Mobile penetration worldwide is slated to be at 69% by 2019. xiv Ajua is a mobile first technology that meets consumers where they are. As consumers become more connected brands need a way to engage with them in a way that can facilitate immediate feedback on the customer experience. Often, when a customer is griping on social media regarding a brand, it is typically a last resort – an attempt to bring attention to a situation when other attempts at communicating with the company have failed or are unsatisfactory. What is

exciting about Ajua is that the service can get to consumers before they are so frustrated with a brand's experience that they resort to social media. "With social media, the consumer will let you know when you're doing a horrible job at creating value for them, and therefore businesses have to be equipped to capture that feedback before consumers are forced to advertise their distaste with the brand. Ajua enables that direct channel of communication with the consumer" he said.

Ajua also allows customers and consumers to have real-time conversations with brands even before they leave the venue to capture consumer sentiment in a way that is engaging for users while allowing the company to use the data to set its social compass. Capturing this data as quickly as possible makes it easier to detect patterns that reveal underlying problems. Once captured, companies can set about addressing them.

Blavity

When Morgan DeBaun and her co-founders started Blavity, their intentions were to create a place online for Black millennials to share their thoughts and feelings. Michael Brown had just been shot and killed and the country was reeling as protests hit major metropolitan areas. The founders saw an opportunity to harness the power and opinions of this demographic that was largely responsible for major cultural shifts taking place in our country. Thus, in 2014, Blavity was born.

Since then they have expanded their offering to include a number of specialty sites including [Travel Noire](#), [21Ninety](#) and [Shadow and Act](#) to name a few. As real-world situations are played out online, the lines between the on and offline worlds are often blurred. As one of our portfolio companies, Blavity aligns with our investment thesis by leveraging "Culture" and the voice of the Black millennial in a way that hasn't been achieved previously. As a media company, the startup is home to the largest network of brands serving black millennials.

They do this via a combination of content as well as unique experiences like the wildly popular [AfroTech](#) conference. The company is a leading model for a 21st century media company and has its fingers on the proverbial pulse of a community that more often than not, drives global cultural trends.

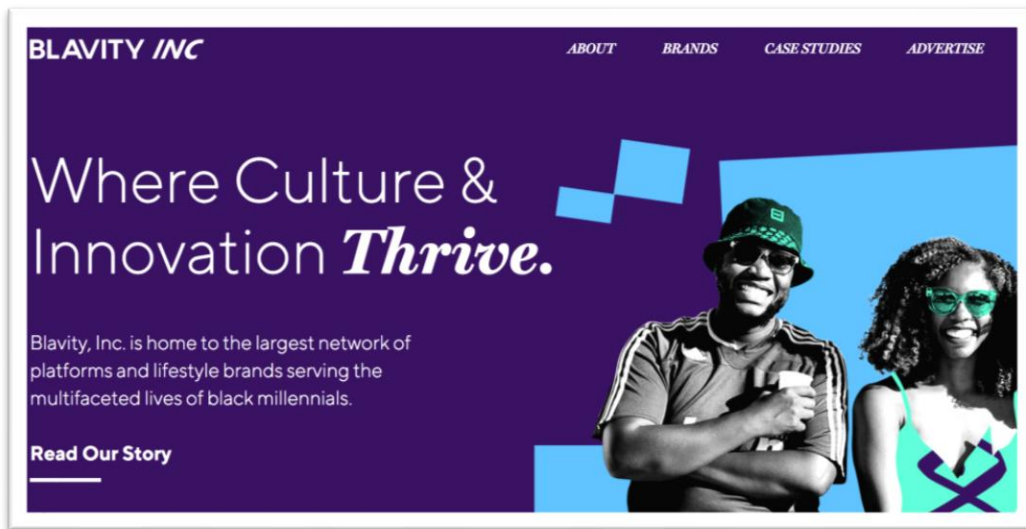


Figure 12: Blavity Inc Home page

In an age where information moves at the speed of light, Blavity has placed itself in a most pivotal position; that of quite literally harnessing the voice of a generation. Blavity's community (30million and counting) is engaged across their various platforms and properties. The community is active on the Blavity platform as well as social media and is vocal with their opinions on a wide range of topics and issues. Blavity offers this as an asset to brands who are interested in engaging with the platform and its users.

Would Pepsi have suffered such a debilitating backlash had the Kylie Jenner ad screened with Blavity's audience first? Hard to tell, but it sure wouldn't have hurt. Brands today are hard pressed for precisely the kind of data and insight that Blavity collects. They have worked with Facebook, Lincoln and Google, to name a few. It acts as an open platform where users can share their own narratives around current events. With race and culture being top of mind in our current

political climate, how Black millennials feel and perceive their world is an important metric for brands to consider. “We rely heavily on our data and social media accounts to understand what our audience is interested in and how we can get them the right information at the right time. We have internal custom platform that allows us to get granular about what people are engaging with and now to better serve their needs” says Morgan DeBaun, founder and CEO.

Conclusion

Our world has changed. At a time when consumer sentiment is of utmost importance, brands and corporations are struggling to stay abreast of shifts in culture and major issues that can shape the way the populace feels when it pertains to matters great and small. Being able to accurately gauge what truly moves consumers is necessity. It is no longer simply about sales, but about what a company stands for. As such, it is imperative that VCs embrace and invest in companies that have the unique ability to understand where consumers stand on timely and substantive matters of our time. We feel these companies are the ones that are ready to usher in a new era where consumers are in lock-step with the companies whose product they support. These are companies and founders who understand that today’s consumer is passionate about where and how their money is spent and that the initial purchase represents the initiation of an ongoing dialog between the consumer and the company.

If you are leading a company that facilitates unique consumer insights, we invite you to get in touch with us.

This report was authored by Marlon Nichols and written by Sian Morson

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