Spotlight: Israel’s startup ecosystem

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When it comes to technology, Israel is punching above its weight. Despite its small size, the nation is home to a large startup scene that has drawn global attention.

In 2016, for example, the World Economic Forum declared Israel to be among “seven countries emerging as frontrunners in the Fourth Industrial Revolution,” a transformation in the economy “characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres.”

Specifically, Israel was rated fourth among global markets in the economic impact of information technologies. The country is known as “a supportive enabling environment characterized by sound regulation, quality infrastructure and ready skills supply,” the WEF stated.

With a tight-knit community of technology workers, many of whom are alumni of Israeli government and military agencies such as the high-tech Unit 8200 (analogous to the US National Security Agency), Israel has managed to replicate many of the conditions that have led to the rise of successful technology hubs elsewhere.

“There’s a lot of mission-critical, fast, on-the-job training, and that creates a very good culture,” said Eden Shochat, a partner at Israeli venture capital agency Aleph, speaking at an event organized by the Israel Export Institute. “The theory is the geopolitical situation drives a lot of it,” he said, and “regardless of whether [high-tech activity] takes place in the army or not—it creates a culture.”

Shochat said that Israel’s high-tech sector was as dense as the network in Silicon Valley, and more so than the celebrated tech ecosystems in London and Berlin. “In Israel, every person that needs to achieve something will be able to find someone who can help them do it,” he said.

Tsafrir Atar, head of Citi’s accelerator program in Tel Aviv, agreed. A startup in Paris, for example, might have to build a pan-European network of contractors for services such as consulting or accounting, and seek regulatory approvals from authorities in various cities. In contrast, he said, “in Israel, everything is here.”

Gabby Czertok, general manager at The Bridge by Coca-Cola, a “commercialization program” based in Tel Aviv, struggled at first to identify areas where Coca-Cola could contribute to the Israeli startup scene, before settling on helping companies tell their stories and scale up to reach wider markets.

Israel offers an ideal environment to test new business strategies, Czertok said. “If Coca-Cola’s going to make a mistake in Silicon Valley, it will be in the newspaper about how terrible it is, but if Coca-Cola does it in Israel no one will ever know,” he joked. In Israel, he said, “there’s more thirst to work with big brands.”
Startup profiles

A recent Innovation Group visit to Tel Aviv and Jerusalem turned up examples of startups across advertising tech, as well as in virtual reality, robotics, and more. Here, we focus on startups working in retail tech and artificial intelligence.

Retail tech

Several startups operating in the retail space are offering services similar to those of large technology companies, but on better terms for brands. Kwik pitched its one-click order buttons, a similar concept to the more-familiar Amazon Dash.

Kwik

Kwik founder and CEO Ofer Klein said that a major difference was that Amazon keeps the data gathered from its buttons, while also competing against brand-name household goods with its own private-label products. His solution, in contrast, allows brands to sell directly to consumers through physical buttons, while holding onto usage data.

Additionally, Kwik is exploring usage-based ordering. A button on a laundry machine, for example, might monitor the use of the machine through sensors and algorithms, and know when detergent is running low, reordering it before it runs out. Klein called this “the next level of seamless ordering.”

Tel Aviv–based Shopic is a mobile self-checkout system that allows customers to scan and pay for items quickly in stores without waiting in line. Raz Golan, CPO and co-founder, said the main advantage for retailers was increased sales, but also that the system allowed retailers to collect rich shopper data beyond what store associates can typically gather.
Amazon has recently received attention for its futuristic store concept Amazon Go, which also offers a more seamless register-free checkout experience. But Golan points out that Amazon is not selling it to anyone, yet. “If they do it will be very expensive and require physical modifications in the store,” he said.

IntraPosition offers a solution of its own for in-store navigation. Large retailers such as grocery stores can be confusing for customers, often resulting in the purchase of fewer items than intended. The company’s technology not only helps customers find items, but also offers better analytics to retailers. Eventually, personalized promotional coupons could be offered to shoppers in the app.

https://www.youtube.com/watch?v=i87Yyn93UWw
Before going directly to consumers, IntraPosition is helping stores improve the efficiency of online order fulfillment. CEO Yaron Shavit said that for every grocery customer that switches from shopping in stores to online, the retailer adds $20 in order fulfillment costs. Workers who pick out groceries often struggle to find them, and job turnover is high. With clear instructions for finding and packing online lists, Shavit said, retailers can cut packing times by 30%.

**Artificial intelligence**

Artificial intelligence is also a key growth area for Israeli startups, from chatbots to machine learning technologies. One startup, **Audioburst**, offers an “AI-powered listening experience” to consumers. The startup scans live streaming spoken audio from global sources in real time, and analyzes its content. The brand says that the result is “the largest library of audio in the world that is indexed in a sophisticated way.”

This allows users to search for audio clips by referring to their actual content rather than meta-data, with results that aren’t just text-to-speech readings, but real clips from radio and podcasts spoken by real people. A search for the latest news on the Kardashians, for example, returns recently broadcast radio content about the family, broken up into clips of a few minutes each.

At a time of growing interest from advertisers and brands in both voice user interaction and podcasting, Audioburst offers an interesting way to understand listening habits and offer personalized, context-relevant advertising for listeners. The brand is currently working with automakers to explore how drivers could use its technology.

Also based in Tel Aviv, **Syte** is applying machine learning to the fashion industry. The company aims “to build artificial vision intelligence able to understand the concept and meaning within a visual scene, anticipate what will happen next, and react accordingly.”

“We realized that most deep learning for image recognition would not be good enough for things like fashion, where you need endless categories,” said co-founder and CEO Ofer Fryman. “Deep learning is about a limited number of categories, and you need some level of human imagination, because fashion has a lot of nuances.”

Fryman showed how his technology could start with an image of a garment and turn up results that might not physically resemble the original image, but shared attributes such as ruffles, texture and other nuances of style. He said Syte might soon make it easier for bloggers and social media influencers to make their content shoppable automatically, turning up not just specific items but also other similar ones.

As retailers constantly seek ways to shorten the path from inspiration to purchase, Syte shows that machine learning is an increasingly sophisticated partner in this effort.

*Editor’s note: The Innovation Group visited Israel in May as part of a trade delegation organized jointly by J. Walter Thompson parent company WPP, the Economic & Trade Mission at the Embassy of Israel in London, the Foreign Trade Administration of the Israeli Ministry of Economy, and the Israel Export*
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