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Doing Business in Israel

June 2019

01 Latest Transactions

Nvidia Acquires Israeli Chip Maker Mellanox for $6.9 Billion

Nvidia is one of the world's leading players in computer technology. It has never spent more than $400 million on any acquisition. Except for Intel, no artificial intelligence giant on this scale has ever before come to Israel. Mellanox is a producer of communications components for data centers.

Dynamic Yield Sold to McDonald's for $300 Million

The US fast-food giant plans to utilize the Tel Aviv based startup decision technology to provide an even more personalized customer experience. The deal marks McDonald's' biggest acquisition in two decades and also the first time it is acquiring a software company.

Alibaba Acquires Israeli Startup Infinity AR

Infinity AR's augmented glasses platform enables developers in a wide range of industries to integrate AR into their apps. Alibaba and Infinity AR have had a strategic partnership since 2016, collaborating on augmented reality, computer vision and artificial intelligence projects. The deal's terms were not disclosed.

U.S Cyber Company Proofpoint Spends $120 Million to Acquire Meta Networks

Founded only two years ago, Meta Networks is a technology expert in zero trust network access (ZTNA). Proofpoint aims to integrate Meta Networks' technology with their cloud access security broker, and offer comprehensive cloud access and an advanced security platform to customers.

02 Focus Area

Retail Tech

"E-commerce is great until it Hits the dust of logistics"

With customers expecting on-demand-same-day everything, retail technologies are booming worldwide. **The CEO of Bringoz** explains how their platform provides businesses of all sizes with "Amazonian" logistical capabilities

As Millennials and Gen-Zs enter their peak spending years, the retail industry worldwide is undergoing an enormous transformation. The world's most powerful retailers are bending over backwards to stay relevant and cater to the younger and more digital crowd. That being the case, it is no wonder the retail tech industry is booming, powering leading retailers with cutting edge technologies in every step of the retail value chain: last-mile, digital signage, pricing, analytics, IoT, shelf monitoring and logistics, among others.

With more than 500 active retail tech startups, Israel is a hotbed for innovation in this space. Many multinational retailers, including Alibaba, eBay and Amazon have established R&D centers in the country, showing interest in both Israeli technology and human talent.

"We're in the midst of 'the age of distribution'", says Doron Bakchy, the CEO of Bringoz, one of the most prominent Israeli retail-tech startups. "After all, every e-commerce transaction is eventually shipped and delivered to the end customer. Private consumers, as well as businesses, expect the delivery to be fast, seamless, just like they experience it online. This expectation creates many challenges and complexities, enhanced by the new standards set by Amazon."

Launched in 2015, Bringoz's SaaS-based delivery logistics platform is "democratizing Amazon's logistical technology so that any retailer and courier can benefit", explains Bakchy. "Companies of all sizes want to be in the 'same-day delivery' business and lower the delivery costs at the same time. We offer an end-to-end comprehensive solution that facilitates exactly that."

The demand defines the route

According to Bakchy, delivery is the second most important factor influencing consumers' online shopping decisions. He believes that "At the end of the day, no matter how great your product is, if the package doesn't arrive on time you will lose your customer's trust in your brand, which means losing his business. That is why working B2B is much easier than B2C in this sense. But nonetheless, all retailers, even the big brands, are looking for ways to reach the end consumer, and it requires a whole new set of complex logistics operations".

Doron Bakchy,
CEO of Bringoz

"I believe in retail tech that uses data to show the customer a clear ROI. Retailers work on very low margins and they want to see definite results"

Using advanced proprietary algorithms, the Bringoz platform automatically matches between real-time demand and supply. “The demand defines the route”, declares Bakchy. “Our solution enables the management of flexible delivery infrastructure, fleets can serve various industries at any given time, and combine multiple pickups and drops in real time. Our platform optimizes all the preconditions in the field at the same time: dynamic routing, schedules, weather, number of items, traffic, urgency, etc. All the data is streamed in real-time, making sure packages reach their destination on time”.

Here’s an example: when customers order groceries, they are usually asked to choose a time slot for delivery (3-6, 6-12, 12-3 and so on). By automatically matching between supply and demand, Bringoz can predict within milliseconds a shortage in supply or drivers between 3-6pm and then automatically remove this time slot or extend it.

“Users can track the package at any given moment and receive proof of delivery”, says Bakchy. The platform also provides predictions, smart planning, analytics, billing and pricing capabilities and it serves a wide variety of industries: e-commerce, retailers, food, CPG, FMCG, pharmaceuticals, automotive and freight. Bringoz has offices in Tel Aviv, New York City and Atlanta and currently works with clients from the United States, Canada, South America and Israel.

Retailers look for clear ROI

This consolidated customer-centric approach has a direct effect on the user’s bottom line. “I believe in retail tech that uses data to show the customer a clear ROI”, says Bakchy. “Retailers work on very low margins and they want to see definite results. I can provide them with clear reporting on exactly how many drivers, trucks or dispatchers they saved by using our platform and how we improved their customer engagement.”

Since the average e-commerce conversion rate has been only 2.5% for the past decade, Bakchy is certain that the game-changing technologies in retail will be those connecting between the online and offline worlds. “I always say that E-commerce is great, until it Hits the dust of logistics. Most e-commerce retailers lose a lot of money on logistics. Last year, for example, Amazon lost $7-8 billion on delivery.”

According to Bakchy, other future trends in retail tech include utilizing autonomous vehicles by retailers to reduce labor costs, turning retail centers into fulfillment centers that dispatch deliveries to customers on demand, and turning e-commerce platforms into logistics platforms. “Instead of using third-party services, e-commerce companies will focus on in-house logistics. They all realize that nothing is more important than their relationship with customers, so we will definitely see many investments, M&As and startup acquisitions in the field of logistics.”

The Israeli Retail Tech Space

500+
Startups specializing in retail tech

$14.5M
Average investment in Israeli retail tech startups

$428M
Raised by 32 Israeli retail tech startups in 2018 = 10% of the total amount invested in retail technologies worldwide

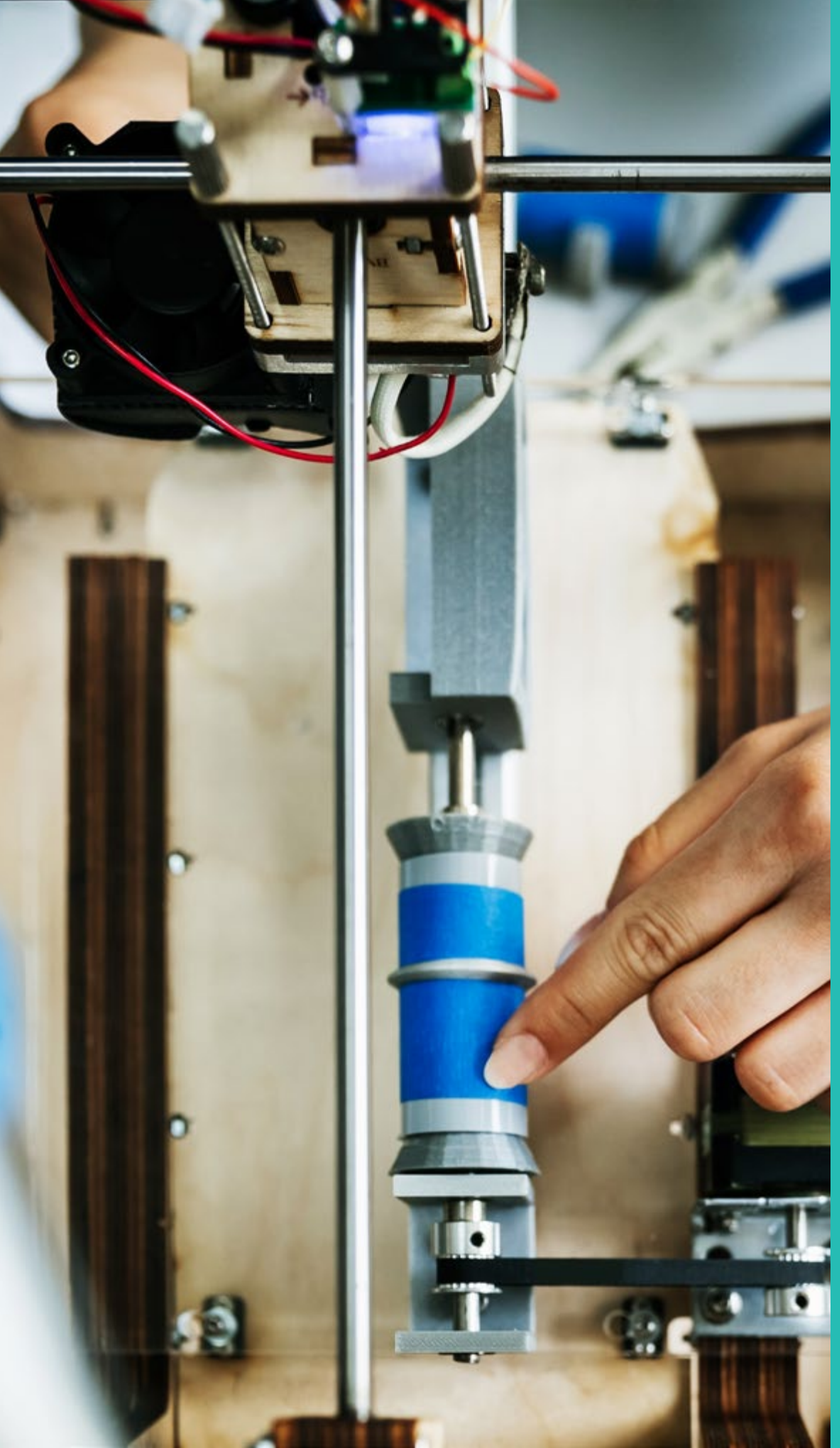
$1 Billion
Equity investment in Israeli retail tech startups so far

20%
Growth of investment in Israeli retail tech companies between 2017 and 2018

6 of 10
Top retailers in the world either acquired, invested in, partnered with or scouted out Israeli startups

3
Tel Aviv's rank in the total amount of investment in retail tech (after NYC and Silicon Valley)

Source: Re:Tech Innovation Hub, StartupNationCentral.com, JVP, Tracxn



03 Israeli Innovation

Israeli scientists create the world's first 3D-printed heart with blood vessels

In what is considered to be a major medical breakthrough, Tel Aviv University (TAU) researchers used a 3D bio-printer to create a heart complete with human tissue and blood vessels. This engineered heart uses the patient's own tissue and biological materials, meaning that the body won't reject it.

Prof. Tal Dvir, head of TAU's Laboratory for Tissue Engineering and Regenerative Medicine, said his team is now "investigating the physiological behavior of the engineered tissues under controlled conditions in the lab. If we get positive results, we will move on to transplantation experiments in animal models." Their aim is for that to happen within the next year.

Dvir's team took fatty tissue from a patient, then separated it into cellular and non-cellular components. The cells were then "reprogrammed" to become stem cells, which turned into heart cells. The non-cellular materials were turned into a gel that served as the bio-ink for printing.

According to the World Health Organization, cardiovascular diseases are the world's leading cause of death. While in many cases heart transplant is the only option available, many patients die while waiting for a heart donation. The world's first fully personalized tissue implant is currently only the size of a rabbit's heart, but it could be used to patch a diseased heart and, in the future, full transplants. The method the researchers developed also paves the way for printing other human organs using the patient's tissue. Prof. Dvir believes that in 10 years such procedures will become routine, and organ donations will no longer be necessary.