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Leadership Series: Conversations to Make a Difference
IDENTIFYING THE NEXT BIG THING

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Moderator:

Elizaveta Osetinskaya, Editor-in-Chief, Forbes Russia

Panelist:

Gerard Lopez, Founder, Mangrove Capital Partners; Founder, Genii Capital

E. Osetinskaya:

Ladies and gentlemen, good morning. We will now begin today's workshop.

Investing in something new is both hazardous and lucrative. It is hazardous because you can lose everything, but also lucrative, because the 'winner takes all' principle comes into play.

Mangrove Capital Partners is known for having invested 1.8 million in Skype (a company which had just been set up at the time), and for making a return of approximately 200 million on this investment in less than three years. I would now like to introduce the co-founder of Mangrove Capital Partners and Genii Capital, Gerard Lopez. He is going to share some of his most important tricks of the trade with you. Gerard not only invested in Skype early on, he also invests in many IT projects in Russia, as well as in a Formula 1 team. So, Gerard will now tell you how to spot the next big thing. My main question to Gerard coincides with the topic of his presentation. I wanted to ask: what are the three key factors that help an early bird investor to figure out whether a new technological solution will take off or not? Gerard, please go ahead.

G. Lopez:

Thank you very much, Elizaveta. First of all, let me tell you that I am very happy to be here for two reasons. The first is that we believe in Russia. We have been investing successfully in Russia for the past seven years or so, and even though it remains small, there is clearly a good community of Russian entrepreneurs and technology companies that we would like to support. The second reason is that I happen to have been born in Luxembourg, which is a great country that has traditionally had very strong ties with Russia. So it is a pleasure for me to be here to talk about this. I was asked to talk about the Next Big Thing, which is a little bit like being asked to try and boil the ocean. This is a vast subject, which is very difficult to condense. There will be some examples at the end, but I have mainly tried to put into context past success and the fundamental reasons why some things become big and others do not.

The reason that there is a picture of a Star Wars toaster on the screen is because this was presented a couple of years ago at a conference in the United States. For two or three days, it was everywhere: people had it on Facebook, blogs, forums, and so on. Obviously, this is not the next big thing – a Star Wars toaster is not going to change the world. Nevertheless, in the world we live in today, things move quite rapidly. Let me take an example of something that became a very big thing in the 1970s, 1980s and 1990s, yet, as you will see, took a long time to develop. We all know the fax machine, but what we do not know is that the fax machine has been around for a long time. The first fax machine was developed in 1850. In 1924, the picture that you see up on the screen had already been faxed. That is almost 100 years ago. Two years later, they were able to fax things in colour. Nevertheless, it took until the mid-1970s to late 1980s for fax machines to start becoming prevalent and, as you can see, it fairly quickly reached a saturation point. Today, with the existence of email, not many people still use fax machines.

What we see here is something that is about to change, or has changed, in the way big things happen today. It used to take a long time for them to come in, then a long time for them to grow, and then quite a bit of time for them to mature. On the next slide you see a lot of formulas, but I will make it quite simple. How do big things happen, and how did the fax machine grow? There are two reasons why big things happen, be it the fax machine, telephone, Skype or Facebook. Part of the explanation is what you see on the left hand side, which is called the Network Effect. Forget Metcalfe's Law, which is a mathematical formula. I will make it really simple. If I have a really good phone and I am the only person in the world with a phone, it has no value. If somebody else has a phone, I already have twice the value than if I were alone and, if I start adding people, essentially the value of the network goes up. We will talk more later on about the value of companies that have networking effects. So that is what we have on the left hand side: Metcalfe's Law and the value of networking.

The same is true for a fax machine. What you have on the right hand side, which is called the Bandwagon Effect, is based on two very simple theories. One is the

theory of conformity, and the other is the theory of social comparison. The theory of conformity means that, if you are in a group – big or small – most people like to be like everyone else. A professor named Solomon Asch did a very simple test. He put six people in a room and asked them questions. Five of the people were his students, who were cheating. The sixth person was someone from the outside world and was changed all the time. He asked a question, with the first five always answering incorrectly on purpose. After a while, the sixth person, who did not know about this, would give the wrong answer, even though they knew the right one, because they wanted to be like the others. This is what is called the theory of conformity. People like to conform to groups.

The second theory is the social comparison theory, which is essentially about social status. If you do not have something and others have it, you actually want to have it too. If you put the three things together, then that is where you get networking effects and what we today call viral effects, that is to say the very fast growth of technologies or social networks. So, in 1987, all Americans started assuming that everybody had a fax, so there were two reasons to have one as well: firstly, to communicate and, secondly, to be like everybody else. Again, here is something that looks like a very complicated formula, but we did that on purpose and you will see why.

NBT stands for the Next Big Thing. The Next Big Thing is a combination of Audience (people), Subject (the technology or the device) and Timing (how fast you develop and how fast it goes to market). You will see that we added a variable, called the HN (human nature) variable. This is key to any success, be it in technology, socially, or in healthcare. It is essentially the capacity to understand human beings. It is human beings that consume, so it is human beings that you are either trying to sell to or convince. No matter how good you are with technology – you can create something that stands alone in a very powerful way – if nobody uses it, it will never be viral. So whatever we look at, we have to understand human nature. What is human nature and how are we behaving? Well, first of all, the audience that we are trying to convince, or have used our products or social

networks, is becoming global. If you compare this grid from the early 1990s to the grid that we expect to have in 2025, Europe and the east coast of the United States are obviously still very much represented in terms of disposable income. But, as you can see, Asia, Russia, parts of Africa and the Middle East have all grown dramatically in terms of what they can spend. This means that, when you were trying to release something 'global' in 1990, 'global' meant you had to convince the United States and Europe. If you are trying to bring out something global nowadays, you have to convince much vaster territories. If you look at Russia, for instance, just the geographical size of this country means that you almost have to do more than you had to do in the 1990s for two continents.

The audience has also become urban and, as you will see, there are pros and cons to that. This essentially means that the audience is starting to be highly concentrated in cities. The behavioural pattern of people in cities is obviously very different from that of people in rural areas. This is something that we have to take into account, not just for technology, but in some other fundamental issues, such as pollution and healthcare. One of our favourite features is that this global population is becoming connected. It is not just a question of so-called 'industrialized nations'. If, for instance, you take India or China, which are part of the BRICs and very fast-growing countries, you will see that mobile phone use is unbelievably high. The reason for this is that people want to be exposed to the Internet and content, but they do not have the money to buy a computer. So if you look at Internet growth, for example in India, it is very different from Internet growth in the United States, Europe or traditional countries, in the sense that it is growing much faster. As a matter of fact, it is the fastest growing country for the Internet in the world, but most of the growth is in mobile Internet, so you have to take that into account.

Here, again, are some very complicated graphs, but let me just summarize what they mean. This essentially shows that our cities are growing exponentially, but the wealth is actually growing much more than the cities. This means that we are faced with people consuming more, but also differently, and we are confronted with a number of issues because of that growth. There is of course wealth creation,

consumption, and so on. However, crime is on the rise, as is disease. This is somewhat illogical if you think about the fact that we have more money to spend on disease prevention and healthcare, but the fact is that the more people you put together, the quicker a disease spreads and the quicker it transforms itself. So, by putting people together in so-called 'big cities', we face a healthcare challenge, which is that a number of very simple diseases that we know well are becoming considerable risks to our health.

Let me move on to global spending patterns. These are very traditional and they have held true for the past 50 years. Countries that historically have had a lot of money, including many of the Nordic countries, today spend most of their disposable income, funnily enough, on entertainment. A second category is those countries that are growing fast and already have some money. They spend a lot of their money on clothing. They like to show that they now have money. The countries that have not yet started to grow, or are still at the lower end, spend most of their money on housing equipment and primary needs. This looks like a fairly simplistic chart. But you will see that, by understanding human nature, this is one of the key elements of understanding what you have to offer to a global audience. Once again, technology is prevalent. We all have iPhones, Blackberrys, or smartphones. One of our greatest fascinations, in terms of who we are, is that, about 10 years ago, we all had a double personality. We were somebody at work and then we were somebody else in our private life. We went to work and, from time to time, we would make or receive a private call. At home, we would essentially deal with our families, although, from time to time, we would make a call on work-related matters.

There is now a grey area. We are the same people at work and at home, meaning, if you take social networks, we share our information on social networks, whether it is professional or private. When we go home, we use the same ones as we do at work and keep some of the same contacts. We socialize in different ways. The other attribute of the global audience is this: if you think about it, you used to watch or be exposed to advertisements when you were in your car listening to the radio or when you were at home watching television. Now, you use your computer at work or go

on the Internet, and you essentially get advertisements right there. So, in other words, the audience is now captured 24 hours a day, whether they are at work or at home. This grey area changes quite a few things in terms of how we connect and interconnect with people.

This brings me to something that is a fairly classic theory, but holds true, no matter what happens. I am talking about Maslow's Hierarchy of Needs. It is quite simple to understand. At the base of the pyramid, we have some very basic needs: food, water, breathing, and others. As we go up and once we have those basic needs, we have so-called safety requirements. As we go up past safety requirements, we have social needs, esteem needs, and then the last one, which is what most of us think we have achieved: self-actualization. That is when you start becoming a good person towards others because you have fulfilled most of your own personal needs. What is interesting about this pyramid and one of the slides I showed before is the fact that it actually correlates quite nicely with disposable income. The more money you have, the higher you go up the pyramid. So, in other words, it is logical: if you do not have a lot of money, you first spend it on very basic things to survive; if you have a lot of money, that is a given to you, so you spend it on the upper end. So, when we talk about what is now clearly a global and connected audience – an audience that sits ever closer to the self-actualization part of the pyramid – we come out with the fact that the Next Big Thing – an example of which is invented pretty much every day, week, or month – has to have the same global attributes.

There are only a few things that really touch us globally: poverty (which is the financial dimension), housing, mobility, communication, and energy. Most of the start-up companies' ideas that grow really big actually fit in one of those boxes. You will think I am a mathematician, but again let me explain this. It looks complicated, but it is quite simple. On the lower left hand side, you have two arrows. The blue arrow is the time it used to take for a technology to be developed, come to market, secure the market, and then exit. The orange arrow is the time that it used to take for a company that invented something to make money. They were pretty evenly

matched. You would invent a product, take it to market, and you would have plenty of time to make money.

Where we are now is that the money-making cycle has become shortened because competition and the lifespan of new products are heavily reduced. You essentially have to invent, commercialize, sell, make money, and reinvent in much quicker cycles, but at the same time you are faced with an issue, which is this: how do you monetize efficiently? I know we will talk later on about Facebook, but you will see that some of these developments play into that. Again, these are very complex graphs, but they say the exact same thing – the black one is the adoption rate that we used to have, this is the adoption rate of the 1990s, and here is where we are now. Nowadays, if something goes into the market, it goes viral right away. It reaches a cap very quickly and the next thing arrives soon after. That is a challenge to a lot of companies, and one to which small companies are much better equipped to respond than bigger companies. You can see why, because, on the left hand side, you have a slide that is pretty old. It shows how companies react to precisely this point. The further you go to the right – aerospace, pharmacy, automotive – the longer the development cycle of a product and the longer the sales cycle of a product. One of the big challenges for groups that are active in those areas is essentially to fend off competition from much smaller players that have understood this cycle and are able to respond to the market in a much more efficient way.

Another example of this, now applied to something that we use, is engines. The first engine we saw was an external combustion engine, which is essentially what you see on trains. It uses coal and steam. The car engine was next to follow, then the hybrid cycle, and electric fuel cells. Again, what that means is that, as a car manufacturer, you used to build an engine that would last 20–25 years within your group. You now build an engine every six or seven years, meaning the costs are completely crazy because you have new norms all the time, cycles with customers constantly expecting new things, and lower consumption. This is a fundamental issue of the economics – be it macroeconomics or microeconomics – of how we run our businesses. It touches every single business that we have.

The venture capitalist is essentially an investor, like us, that tries to take advantage of these changes. For us, rapid changes, like the ones we are seeing now, are actually very beneficial, because it means that we get to develop new technologies and bring them to market very quickly, and obviously, as a venture capitalist, hopefully exit and make money quite quickly. We are back to this formula.

So, what is the Next Big Thing? Obviously, it depends on the audience. You need to recognize the diversity and understand – even in a global audience – how to segment your product and still go global. The subject – that is the technology, product, or material – has to make common sense. You have to minimize complexity because of those cycles and the fact that you have to reinvent yourself quite quickly. Software is a good example of this. You start off with Version 1.0, after one month you have 1.1, after six months you have 2.0 and then 2.1. Imagine you are a car manufacturer doing the same thing – selling a car today and calling the client after six months to say that they have to change their car. Well, in the future, we will start to see this. Then there is timing, and timing, as I said, is really a feeling for what people want today, how quickly they want it, and how quickly you monetize it. Here are some examples of what we consider to be the next big things or things we are investing in. Take the car, for instance. From the 1920s to 1950s, it was fairly low-tech, with an engine, four wheels and a steering wheel. This meant it was low cost, without a lot of technology, but it was also high maintenance because the quality was low. There was obviously no connectivity and very limited safety. Now, take the car today. It is very high tech and hence very high cost. Even though there are robots, it costs a lot more money to produce a car today, in terms of pure materials, than it used to cost 30 or 40 years ago. Today's cars are very low maintenance. When you buy a car today, you do not expect to have to go to your dealership almost immediately with the car to get it serviced. As a constructor, this means that you sell the car and you do not see that car again for four or five years. This is what is expected by the consumer. There is high connectivity, with satellites and so on, and very high safety levels are expected. What is the challenge? The challenge is that car manufacturers – and we know a lot of them – are struggling to

make this model work. How do you sell something at a low price when today it costs much more than it used to cost in the past? Well, this reminds us of an industry that had the exact same issue in the 1990s, namely the mobile phone industry. The mobile phone industry was selling something very expensive, based on very strong competition on features, and once all those features were addressed and everybody was selling the same thing, prices suddenly started to go down. They started falling to such an extent that mobile manufacturers or operators were no longer making enough money on the device. So they had to start making money on connectivity, minutes, and so on, and what happened was that they started subsidizing the phone. It will be the same with the car industry. When we talk to leaders of big car companies, a lot of them have invested money in trying to understand how, in the future, instead of selling you a car, they will pretty much give you a car. That sounds crazy now, but we are not far off. They will give you a car – today we might call it leasing or financing – and because you are captured in that car, it is like a giant mobile phone. They will try to sell you services in that car. That is the only way to monetize something that is starting to become a very expensive commodity. This is a big challenge because it means changing an industry that has been working the same way for the past 80 years and employs millions and millions of people worldwide.

This is the first time in the history of the car industry that small companies have a chance to come in and play in this field, not as manufacturers, but as service providers and companies working on connectivity. I spoke about urbanization before and the big change. We used to be on the left hand side on the image I am showing now. Until I was seven or so, I grew up on a farm, so I was on the left hand side. There was obviously low pollution and available sanitation, so it was easy to take care of yourself because there was a lot of space. There was also limited spread of disease. If people are far away from each other, diseases do not transport themselves that quickly. There is also easy recycling accessibility, because your impact on nature is extremely low. What we are living through today is very strong urbanization. There are very good economic reasons why this is happening. We

have very high levels of pollution, unbelievably overcrowded infrastructure – be it roadways, public transportation, or infrastructure like running water – and the very rapid spread of disease. We also face a huge challenge in terms of waste management.

So, what is the Next Big Thing? The Next Big Thing, or the next big things in this area are companies that are able to impact upon the right hand side of this chart. That is, they are able to invent, develop, and bring to market solutions to turn urban areas into cleaner, healthier, and safer places to be in. Again, there are a lot of big companies working on that, as well as a lot of lobbies. So, again, small companies have a chance to invent things that have a big impact on this. Right now, even though there are lobbies, the time will come – again, this is not 10, 15 or 20 years from now – when the political powers will have no choice but to accept that these things need to be addressed because the cost of maintaining something that is inefficient will rise so high that it will become highly efficient to help finance solutions. This is not yet the case today.

I will now move onto energy. We are in Russia, which is one of the largest exporters of traditional energy, be it oil, gas, or coal. I am not going to go into details because I would bore you to death with physics, but one of the big revolutions we are seeing in energy is something that is potentially huge. It is the understanding – and I am going to get philosophical here – that materials are more than what we know from our physics textbooks, and that they are more than what we can currently measure and touch. In essence, quantum physics, if I may simplify it, is the understanding of the behavioural pattern of the smallest piece of a particular material. If we can play with those things, we can unleash energy and power in particular materials that we cannot unleash today. That creates a sort of revolution, which is what we call a positive energy output. It sounds crazy, but it works in very small environments. You put energy into something and you get more energy out than you put in. This is something that is very hard to comprehend. I will give you an example of why. If you put fuel in your car, the so-called ratio of energy efficiency is less than 30%. That is, the energy that you put in, as it comes out in terms of movement, is only 30%

efficient, so 70% is wasted on heat and all sorts of other things. This slide suggests a ratio that is not one to one, but rather one to more than one. That means there is huge potential to change the way we look at things. This is obviously still in its infancy, but the understanding of quantum physics is one thing that could change the energy world forever.

The next area for discussion is information technology. From time to time I am in the United States, where I lecture at a number of universities. One of the things I get asked about is, as somebody who likes to invest in information technology, where do I get my ideas from? My answer may be regarded as funny, but it is partially true – if you look at Star Trek from the 1970s and 1980s, except for the laser beams and the transponders, most of the things you see from back then are things we can do today. All that the author of Star Trek decided to invent was a way for human beings to interact very easily with technology. That is what we are doing today. If you look at a keyboard, which we are still using today on computers, or even on an iPad, that is something that dates back to the typewriter. It is not a natural way for human beings to interact with something. I mean, it is just because it is something that we know. But, a hundred years ago, if someone had told you that, in order to send a message to somebody, instead of speaking you would have to use your fingers and push buttons, it would have seemed illogical. The logical way for human beings to interact is by using primary senses: sight, hearing, speaking, and so on. That is the direction in which many things are moving. We have connectivity and voice recognition, to name but two, and we now need to change devices.

On the medical side, on the left hand side, we have the art of surgery. The way we still operate today, partially, is with knives, cutting up and so on. Technology exists today that we have seen but is obviously not yet accepted, because medical technology takes a long time to come to market due to testing. We now have nanomedical technology. These are essentially small elements that you can only see under a microscope, but they are programmable mechanical elements. They are like small bacteria that are created by humans and are being told to go and do something in your body. They are very powerful and obviously very dangerous, if

they are not managed in the right way. Again, most of the companies active in this space are small companies, as they are the people who are crazy enough to invent things and try to go to market.

Finally, I would like to finish up on one of the big worries, which is that, even though this planet is creating more wealth than ever, we have a food production issue. We used to have a pretty static global population, with plenty of land to grow stuff on and plenty of people to help grow it. If we go to the right, we have a growing global population, with people moving into cities because of the focus on industrial output and an increasing cycle of natural disasters. What that brings us to is that, up until 2000, which seems logical, the availability of food grains – the capacity to feed people – was increasing. For the first time, between 2001 and 2009, output fell. It fell so low that it was the same output as in the 1970s, with a population that had almost doubled. That is something to be worried about, but not for us here today, because we can go into a supermarket and get food. However, at the rate that we are growing and at the rate that this chart is going down, it will become an issue. Unfortunately, it will first become an issue for those that have no financial means, before we even see it. That is where, as an investor, you sometimes have to take your hat off and care. Beyond our investment companies, we also have a foundation. One of the reasons that we have a foundation is that you have to feel responsible at your own level for what is going on in the world. No matter how many great technologies we can finance or how many great companies we can find, the fact is that some of the challenges that are being posed to us are not at all related to return on investment, nor financial marketplaces. They are related to the pyramid that we saw before – to the very base of that pyramid. It is not normal that in a world where we are all aspiring to the top of this pyramid and are getting closer to the top of this pyramid, the base is actually becoming wider. This is when money plays second fiddle and you have to adopt a different role. So these are some examples of areas in which the Next Big Thing could happen. If you take into account what I said before, the Next Big Thing is always going to be global, it is always going to

answer a human need, and it is always going to fall into something that touches all or most of us. Thank you very much.

E. Osetinskaya:

If you will permit me, I would like to ask a few questions. First of all, could you please explain the following paradox: many of the next big things that you mentioned do not result in immediate returns and fast money. For instance, Skype makes significantly less money than it is valued at, and even Facebook makes hundreds of times less money than what it is valued at. How do you explain this?

G. Lopez:

The Facebook question is obviously a very current topic to many people. For those that are interested in finance, interested in Facebook, and in IT, much has already been written. But let me try to summarize what our view is on that. There are two sides to something like Facebook. There is the value of the network that I explained before, and Facebook has, without a doubt, what is today the most valuable network in the world. They have got about 900 million people that connect every so often and that trust a third party with private pictures, private information, and their relationships with friends. So, on the one hand, you have something that is potentially extremely valuable, because Facebook also owns something that is the 'holy grail', or the most valuable thing on the Internet, which is your real identity. That is very, very difficult to get on the Internet. There is no other site or social network that is as powerful in terms of that. So, the valuation of Facebook could have been explained by those elements. That would have been absolutely valid. You could have said it is worth USD 100 billion, USD 200 billion or USD 1 billion, I do not know, but it is certainly worth a lot of money to own the identity of 900 million people in a world today where people are less and less willing to put their identity online, for lack of trust. That is the positive side. The negative side is that, owing to the way Facebook has grown and because it is a very private thing, people have a hard time accepting monetization of their private life. That is the big downside of

Facebook. Even though they own these 900 million users, their identities, networks, friends and pictures, it is not easy for Facebook to convince their users to spend money in a private environment. As a result, a lot of people are critical of the Facebook business plan. In addition, Facebook is very much dependent, at least from the outside, on the founder – one single person. When the IPO happened, a lot of people bought shares. But the preferred voting shares are still with the founder, so even though it is a public company, control still lies with somebody that is young and has a certain vision for the company. If you take those three elements together, you have an explanation for the potentially huge value of Facebook, an understanding of why – maybe financially speaking – it might not succeed, and then you have the third issue of why, as a business, there might be trouble in the way it is directed. It does not respond to the public market, but it very much has to respond, still, to one single shareholder.

E. Osetinskaya:

Summarizing all the plusses and minuses, would you buy Facebook shares?

G. Lopez:

It is not very well known, but we were offered the opportunity to buy Facebook shares maybe three years ago, at I think 25 or 30 times less than today's market price and we did not buy them. So I would definitely not buy today.

E. Osetinskaya:

That is the right answer!

If anyone would like to ask a question, please prepare to do so, in the meantime I will ask one of my own.

My next question has to do with Russia. Your companies also invest in various projects in Russia. I think it is important to note that the birthplace of Skype is not the United States, but Estonia. This major technological breakthrough took place in a small country. Today, in Russia there is a lot of talk about innovation, about the

need to develop new technologies. How do you rate Russia's chances in this sector? How big of a slice of the next-big-thing pie will Russia be able to get?

G. Lopez:

As I said before, we have been investing in Russia for seven years or so. We are believers in Russia, but there is a caveat. Russia is a huge political force outside of its boundaries. It is an unbelievable country in terms of its natural resources. It is a big country in terms of geography and has a fairly large population. Historically speaking, it has great fundamental research in universities. We now see two challenges for Russia, in order for this particular generation to come up and lead innovation. One is a greater desire from Russians to become successful entrepreneurs in growing their own businesses. This is one area where we still do not see enough momentum. Perhaps it has to do with the fact that there are not enough role models, so young students maybe do not aspire to that because they do not have examples to follow. It also has to do with the fact that there are probably not enough incentives. I mean, there are countries that have succeeded by incentivizing at the government level. I am not saying that it is the right solution, but it is one of the solutions. The last point is a much bigger point, which is this: Russia lacks, for now, a financial system that provides an easy path to local exits. In other words, if I were to build a very successful technology company in Russia, I would either IPO it abroad or sell it to a foreign company because there are not a lot of natural buyers here, and there is not a strong ecosystem of IPOs and things like that. Altogether, Russia essentially has all the elements, including some fundamental ones that other countries lack, to succeed. As I said, fundamental research is amazing and, as you saw with some of the next big things, it is not about making something a little bit faster or cheaper, but it is about fundamental change. You need physicists and other kinds of people for that. There is such a lot of talent. If I look at our companies, in a lot of the companies, even outside Russia, we have Russian PhDs all over the place, in the United States and in Europe. So there is obviously the brain talent. However, to put everything together, you need capital,

you need examples to follow, and you need exits. That is where some of the challenges are, and that is where we are trying to participate and help a little bit.

E. Osetinskaya:

If you had a chance to give a single piece of advice in this field to the Russian government, what would it be in order to boost innovation and investment?

G. Lopez:

Well, in relation to the first one, I think something is being done about that anyhow. The first thing to address is for capital to be available in a straightforward and easy way, for people, young and old – it does not matter – who clearly have the idea and the passion for creating their own company and building something. Somebody who has a company with one employee is employing two people: himself or herself and the employee. So there is also a net gain and, if you look historically, even in the United States and Europe, most of the jobs actually being created by entrepreneurs are not being created by big companies. So it is actually good for the government. So, the first thing is to have a clear path for access to capital – start-up capital, growth capital, and so on. I know for a fact that some things are being done by the government, but it is never enough, regardless of the country. The second thing is really – and we have had discussions here – this famous exit permit. You know, if your hope of building a Russian company is to sell it to a foreigner, it sort of defeats the purpose. At some point in time, it will be very important for Russia to have a financial market that is efficient and that accepts technology companies and young companies in a way that is successful. That creates emulation and reasons for others to go and do the same thing. This is something that is entirely down to the government, the finance authorities, and so on.

E. Osetinskaya:

Thank you very much.

Does anyone else have any questions? If not, please allow me to ask one more.

Let me ask one question that is quite important for my industry, and I am very glad to have the opportunity to ask this. What would you say about the future of the media? New technologies have significantly changed the media world, and the distribution of income in this field is now very different from the past. What is your outlook for this?

G. Lopez:

I talked before about cycles of innovation and something like that has happened in the media. Hopefully, for traditional media, we are already in the second cycle. The first cycle was the pressure being applied by the fact that everybody can create content, be an expert, have a blog, and write about things, meaning that the sources of information have become much broader. There are many more channels to get that information, so there has been much more pressure on traditional media to be able to transmit a message. Now, what we are finding out in terms of behavioural patterns is that a lot of people are going back – and that is the key – to trusted sources. In a world where there is too much information, what you get is noise. I spoke before about conformity. Well, that plays into the media, meaning that we are seeing a behavioural pattern now of people that trust a brand and want to go to a brand to get that trusted information. This is the value of traditional media, and that is a value that should not be lost because it has to be based on serious journalism, good content research, and not just rumours. So one of the things that we are seeing, not just in media, but also in other products, is that people are comfortable with brands and they like to go back to brands. That is what I call the second cycle, which is after the crazy period where everybody became a journalist. We are now seeing a development back to people wanting to have media where they know, or at least think, that the information they are getting can be trusted.

E. Osetinskaya:

Thank you very much for this interesting discussion. It has been an incredibly interesting session, so thanks again.

G. Lopez:

Thank you.