



Publication: Hong Kong Economic Times

Date: November 02, 2016

Format: Feature Article

Distribution: Print and Online



A photo of the print version of the feature article in the Nov 02 publication of Hong Kong Economic Times. The top bar features Jonathan Kotthoff, CEO, holding a beacon; a screenshot of the migo IQ app; and various photos of beacons in action in retail environments. The right sidebar features Jonathan's tips on pitching startup ideas.

Translated Summary of the Article Published in the Hong Kong Economic Times

Jonathan Kotthoff was introduced as the Founder and CEO of Migo IQ, a startup that has combined AI machine learning with beacon use to provide shopping recommendations through a mobile application. Kotthoff indicated that although online shopping is trending, there are still a significant amount of customers who would only make a decision after sighting the product in a store. Using Amazon and eBay as reference, more than 30% of their sales come from the 'you may be interested' suggestion pop ups. This has inspired Kotthoff to do something similar but in the retail environment. Migo IQ is currently working with 800 U.S.-based SMEs, where beacons have been placed in 15,000 retail outlets.

The article continued by explaining how Migo IQ works. It was explained that once a customer walks into a store with beacons and connects to a smartphone through Bluetooth, Migo IQ will start making recommendations based on what the customer is looking at along with their previous shopping behaviors to offer suggestions. For example, if the customer is looking at a black dress, Migo IQ will suggest red and blue options, along with accessories and shoes recommendations. A messaging feature is incorporated into the Migo IQ app, where customers can ask a retail assistant for help through a video function. Migo IQ's goal is to provide personalized services and to make every customer feel like a VIP.

It was revealed that retail sales has grown by 21% in retail outlets with Migo IQ installed, and one out of nine Migo IQ recommendations ended up as a transaction. Migo IQ takes 8% profit out of every successful transaction. Kotthoff indicated that he is currently talks with K11 and IFC mall.

A separate section at the bottom right corner featured Kotthoff sharing his pitching tips. Kotthoff indicated that Migo IQ has already completed 3 angel rounds which total to US\$4.3 million. To attract investment, he suggested startup to focus on their products and accumulate a significant user base, as these can be used as proof points to persuade investors. Kotthoff also encouraged entrepreneurs to engage in startup activities in order to know talented engineers and designers and grow a strong team. In addition, every startup should associate themselves with something that people are familiar with, especially if your product is complicated. For instance, he would introduce Migo IQ as the 'offline version of Amazon'.

Virgin Atlantic, Giant Eagle, Walmart, Tesco, and Waitrose were mentioned as corporations who have been utilizing iBeacon technology in their daily businesses. In addition, LabWerk, a Netherlands-based startup was mentioned for their partnership with an Italian zoo to provide informative alerts when visitors are near certain checkpoints of the zoo.

Recap of Interview with Shirley Hung of Hong Kong Economic Times

Key talking points on Migo IQ:

1. Migo IQ is a AI shopping personalized shopping experience. There is a 92% match between what users are looking for and what we are recommending.
2. Migo IQ is the biggest buyer of beacons, therefore they can be provided at low cost.
3. There is no offline and no online – it is all about personalization.
4. Beacons are placed in every participating retailer's location, and migo IQ uses this technology to cover areas of a retail shop to predict what the consumer would like at the moment of decision. Migo IQ makes recommendations based on your behavior with a predicted probability of what you might not already have but might need. Migo IQ constructs a real-time map through beacons to find the suggested product based on the algorithm of the AI - a mix between the beacon and the AI engine.
5. The AI engine uses complicated math to predict what you might need based on your behavior. Instead of using statistics as a whole to predict people's needs, Migo IQ takes AI as an advantage to mold shopping into a personalized experience.
6. Retailers have proven to get 21% increase in sales from using Migo IQ, retailers include high-end clothing brands, groceries stores and more.
7. Migo IQ opened up an office in Hong Kong in July 2016, and it is the main office in all of Asia. We are planning to go international through Hong Kong.
8. As retailers struggle to tackle the problem of high turnover and temporary workers with no understanding on what they are selling, the new version of Migo IQ will provide a quick connection between what consumers are buying and providing professional advice at their fingertips. In return, retailers can 'hire' the best employees based on surged demand, like Uber rides.
9. There is zero cost behind owning this product. Migo IQ provides retailers the beacon and app for free. Migo IQ makes money when an offer appear on the screen and if a user picks the recommended option. Migo IQ only gets paid if the retailer is making a sale.
10. From consumers' point of view, all they have to do is download the app through push offers received on Apple Pay or other apps e.g. if you want to get 10% off, click this button and download the Migo IQ app.
11. Migo IQ does not know consumers' names, gender, address, their payment info etc. Everything is anonymous except the ad ID.
12. Migo IQ does not need Amazon or any other online retailers' info. Data sets are always separated and never combined.
13. There is a high degree of accuracy in offers even from a cold start; and from the first time you use Migo IQ, every time you stop and look at something, the probability of predicting what you want correctly increases.
14. Migo IQ believes we don't need to sell people's information as individuals to succeed as a business. They can provide that personalized experience without selling privacy.
15. Migo IQ was founded in 2014.
16. There are around 183 beacons startups focused in retail, but no one has built one that provides real-time personal shopping solutions.
17. Migo IQ is not just sitting on the current product, but are continually testing and improving and will have new features coming up. There's a pipeline of 5 years out to do two things:
 - Make every customers and store feel like a VIP
 - Make retail employees the best versions of themselves instead of being overworked and treated as generic staff.

Key talking points on Hong Kong and the IoT industry:

1. It is much quicker to close deals in Hong Kong than overseas, and Hong Kong is one of the best adaptors in Asia.
2. Talents are in abundance in Hong Kong, most candidates have multi-linguistic abilities and are capable of making a difference in the world.
3. Migo IQ has established partnerships and is negotiating with several malls at real estate level at the moment. Migo IQ is hoping to go live in Hong Kong by December 2016/ January 2017. A demo unit will be launched at Cyberport in November 2016.
4. Hong Kong is a better bridge between the West and the rest of Asia in terms of finance, communication, and access. Jonathan felt that Migo IQ has been welcomed in Hong Kong, and people have been eager to step up and help. Jonathan thinks Hong Kong is a great place to live.
5. Hong Kong is Migo IQ's headquarter in Asia, and is in plans to expand to Singapore.
6. US is closing malls down and converting them into schools/apartments. The malls in Hong Kong are a lot more vibrant and people are willing to go out and shop.
7. Referencing the Technology Lifecycle - although the mass opinion is that the IoT hype is over and has underdelivered expectations, the industry is actually taking baby steps and we are at the upswing of the second curve.
8. For example, restaurants are adopting Apple watches for their employees. The world is now figuring out how smart watches work with their current operations and business potential.
9. The name IoT might probably change, just like smartphone are now just called phones.
10. The smartphone market is saturated. You can see that by Apple and Samsung going into smaller and smaller product differentiations as their product is now very similar.

Key talking points on Jonathan:

1. Jonathan was previously a consultant for businesses who helps big companies figure out new products and new customers
2. Migo IQ is Jonathan's third startup. He was previously part of around 83 startups as a consultant.
3. Jonathan came up with the idea of migo IQ in January 2014. Got the first contract in August 2014. Migo IQ is based in Puerto Rico and has a workforce in the United States and the full-time development team in Puerto Rico. Additional employees will be joining the Hong Kong office next month. Jonathan and his family have relocated to Puerto Rico and will be in Hong Kong several months out of the year.
4. Pitching Tips: build the product and get customers before pitching for investments. Make proofs that your idea work, then funding will grow naturally. Ideas are cheap, but the ability to prove it works is what makes you successful. It is all about network. Hire and trust employees that are smarter than you. Make your business relatable to others. Check your pitch constantly and make reference to things that people already know – use great analogies.
5. Startup Tips: Look for programs and startup accelerators. Getting into accelerators like WIoTW has helped migo IQ's networks in Hong Kong and San Francisco. Spend time to understand and look for the right investors. WIoTW is experienced and was able to give advice on whether certain investments should be accepted or declined. Work with investors that understand what your startup does and have similar experiences. They are the ones able to offer you funds and a shoulder to lean on, as well as advices that are of good use.