



# Palantir: Future Growth Strategy

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# Question

- What should be the direction of Palantir's future strategy?



Diversify product line.



Grow sales and marketing team through partnership.



Improve public image by dropping most controversial projects.

**Our  
Recommendation**

# Palantir's Overview

Current target market: group of 6000 companies making \$500M+ in revenue

Operates in over 40 countries

Believes in providing democracies with analytical tools

Products: Gotham/Foundry/Apollo

# SWOT Analysis

Strengths: High quality of product, large contracts

Weaknesses: High price of product, low number of customers, controversy, stock dilution, lack of profitability

Opportunities: Potential partnerships, client list expansion

Threats: Clients developing products in house, difficulty acquiring new talent

# Business Model Concerns

1

Diversification

2

Sales & Marketing

3

Public Image

# Overall Recommendation

1

Expanded Product Line

2

Partnership to Improve Sales Team

3

Drop ICE and Project Maven



# Overall Evaluation Criteria



Profitability: How does our strategy affect our profitability?



Feasibility: How likely will it be that we can implement our recommendation?



Company Alignment: How does our plan help Palantir's goal of supporting democracies?

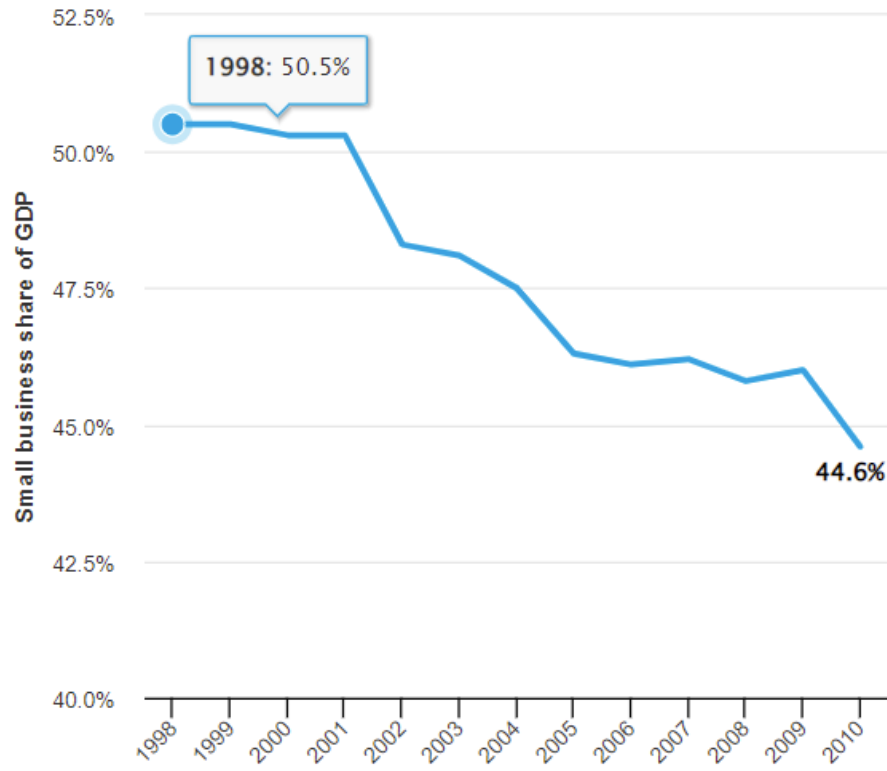


# Diversification

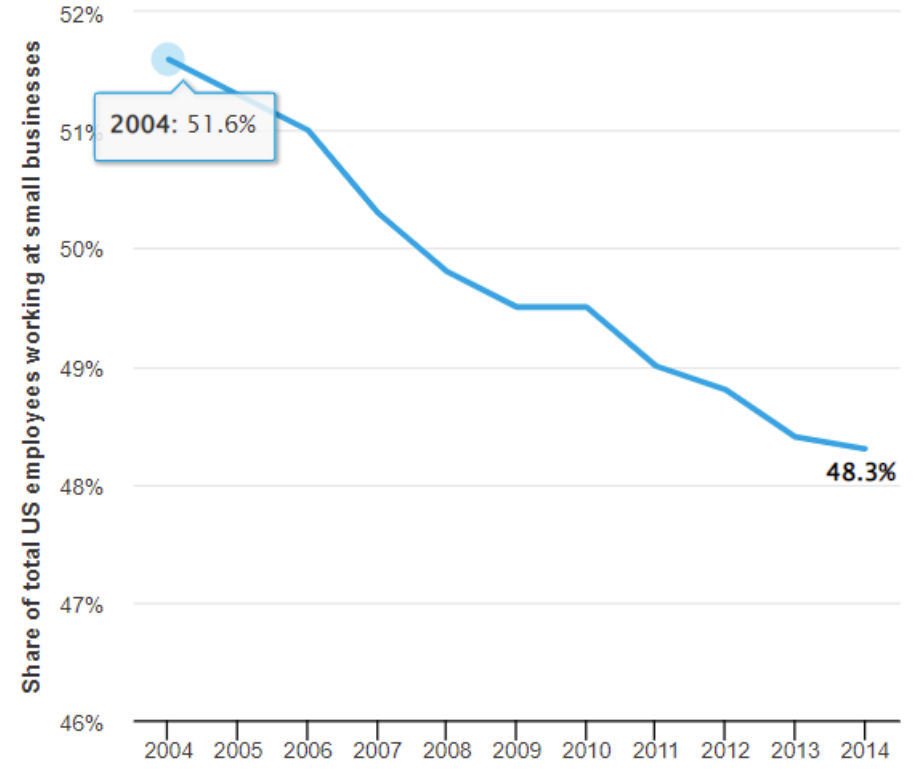
Should Palantir keep working solely with governments or large corporations, or diversify and make its products affordable for smaller companies?

# Diversification - Market






Small businesses accounted for 45 percent of GDP in 2010, down from 50 percent in the late 1990s.



48 percent of all US employees work for small businesses, down from 52 percent in the early 2000s.



# Diversification - Market

|  |  |  |  |  |
|--|---|---|---|---|
| Industry   | 1 – 499<br>Employees  | 1 – 19<br>Employees   | Nonemployer<br>Firms  | Total Small<br>Firms  |
| Professional, Scientific, and Technical Services                                   | 778,090   | 731,341   | 3,235,906   | 4,013,996   |
| Other Services (except Public Administration)                                      | 670,468   | 626,850   | 3,583,742   | 4,254,210   |
| Retail Trade   | 649,764   | 595,280   | 1,906,597   | 2,556,361   |
| Construction   | 645,479   | 598,039   | 2,368,442   | 3,013,921   |
| Health Care and Social Assistance  | 642,586   | 561,706   | 1,959,723   | 2,602,309   |
| Accommodation and Food Services  | 502,076   | 397,330   | 346,280   | 848,356   |
| Administrative, Support, and Waste Management                                      | 325,474   | 289,799   | 2,032,516   | 2,357,990   |
| Wholesale Trade  | 309,568   | 267,370   | 406,469   | 716,037   |
| Real Estate and Rental and Leasing   | 275,298   | 262,850   | 2,448,282   | 2,723,580   |
| Manufacturing  | 248,155   | 188,964   | 343,025   | 591,180   |
| Finance and Insurance  | 233,184   | 216,130   | 706,394   | 939,578   |
| Transportation and Warehousing   | 167,496   | 149,262   | 1,102,255   | 1,269,751   |
| Arts, Entertainment, and Recreation  | 116,159   | 100,867   | 1,256,694   | 1,372,853   |
| Educational Services   | 85,151  | 67,144  | 616,952   | 702,103   |
| Information  | 70,792  | 61,051  | 326,526   | 397,318   |
| Mining, Quarrying, and Oil and Gas Extraction                                      | 21,594  | 18,222  | 106,610   | 128,204   |
| Agriculture, Forestry, Fishing and Hunting   | 21,323  | 19,997  | 239,863   | 261,186   |
| Utilities  | 5,715   | 4,511   | 19,344  | 25,059  |
| <b>Total</b>   | <b>5,768,372</b>  | <b>5,156,713</b>  | <b>23,005,620</b>   | <b>28,773,992</b>   |

Source: [https://www.sba.gov/sites/default/files/advocacy/United\\_States.pdf](https://www.sba.gov/sites/default/files/advocacy/United_States.pdf)

# Diversification - Market

|  |                      |
|--|----------------------|
| <b># of Small Business in the U.S (2014)<sup>1</sup></b> | 28.8 million         |
| <b>Firms with 1-499 employees</b>                        | 5.77 million         |
| <b>Max addressable market (S &gt; 200k)<sup>2</sup></b>  | 32%                  |
| <b>Max addressable market size</b>                       | 1.84 million         |
| <b>Market penetration</b>                                | 1%                   |
| <b>Market size</b>                                       | 18,400 businesses    |
| <b>Yearly revenue per sale</b>                           | 100k                 |
| <b><u>Maximum yearly revenue</u></b>                     | <b><u>1.846B</u></b> |

<sup>1</sup>Source: [https://www.sba.gov/sites/default/files/advocacy/United\\_States.pdf](https://www.sba.gov/sites/default/files/advocacy/United_States.pdf)

<sup>2</sup>Source: <https://www.zenbusiness.com/blog/small-business-annual-sales/>

# Diversification – Alternatives

| <u>Criteria</u>   | U.S Small Business | Non-Liberal Countries |
|-------------------|--------------------|-----------------------|
| Profitability     | Moderate           | High                  |
| Feasibility       | Moderate           | Low                   |
| Company Alignment | High               | Low                   |

# Diversifying to smaller business - benefits

1

Buyer power and  
risk reduction

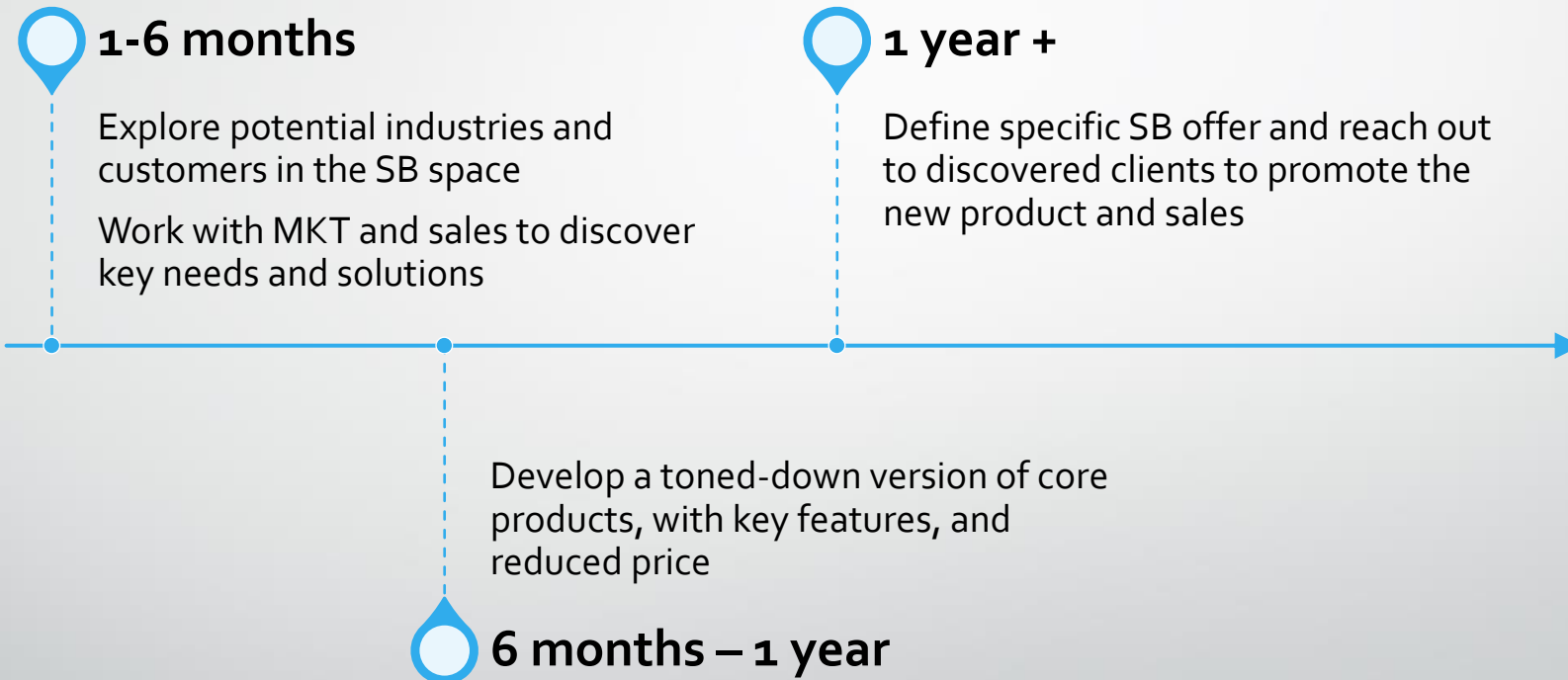
2

Improved public  
image

3

Support for core  
values

# Diversification - implementation





# Sales and Marketing

- How should Palantir approach its Sales and Marketing strategy to align with its diversification strategy?

# Current Sales and Marketing Expenses

| Report Date                       |               | 03/31/2021  |               | 09/30/2020  | 03/31/2020  | 09/30/2019  |
|-----------------------------------|---------------|-------------|---------------|-------------|-------------|-------------|
|                                   |               | 1st Quarter |               | 3rd Quarter | 1st Quarter | 3rd Quarter |
| Currency                          | YTD % change  | USD         | YTD % change  | USD         | USD         | USD         |
| Sales & marketing expenses        | <b>27.51%</b> | 136,097     | <b>64.27%</b> | 334,911     | 98,653      | 119,666     |
| Research & development expenses   | 33.18%        | 98,471      | 75.83%        | 313,915     | 65,800      | 75,880      |
| General & administrative expenses | 51.72%        | 146,569     | 78.15%        | 338,977     | 70,765      | 74,062      |
| Total operating expenses          | 38.29%        | 381,137     | 72.71%        | 987,803     | 235,218     | 269,608     |

# Sales and Marketing - Alternatives

| <u>Criteria</u>   | Grow in-house sales and marketing | Implement partnership for sales and marketing | Do not scale sales and marketing |
|-------------------|-----------------------------------|---|----------------------------------|
| Profitability     | Moderate                          | High  | Low                              |
| Feasibility       | Moderate                          | Moderate                                      | High                             |
| Company Alignment | Moderate                          | High  | Low                              |

# Implementation of Sales and Marketing Strategy



- Data Customization
- Automation Processes



- Data and analytics

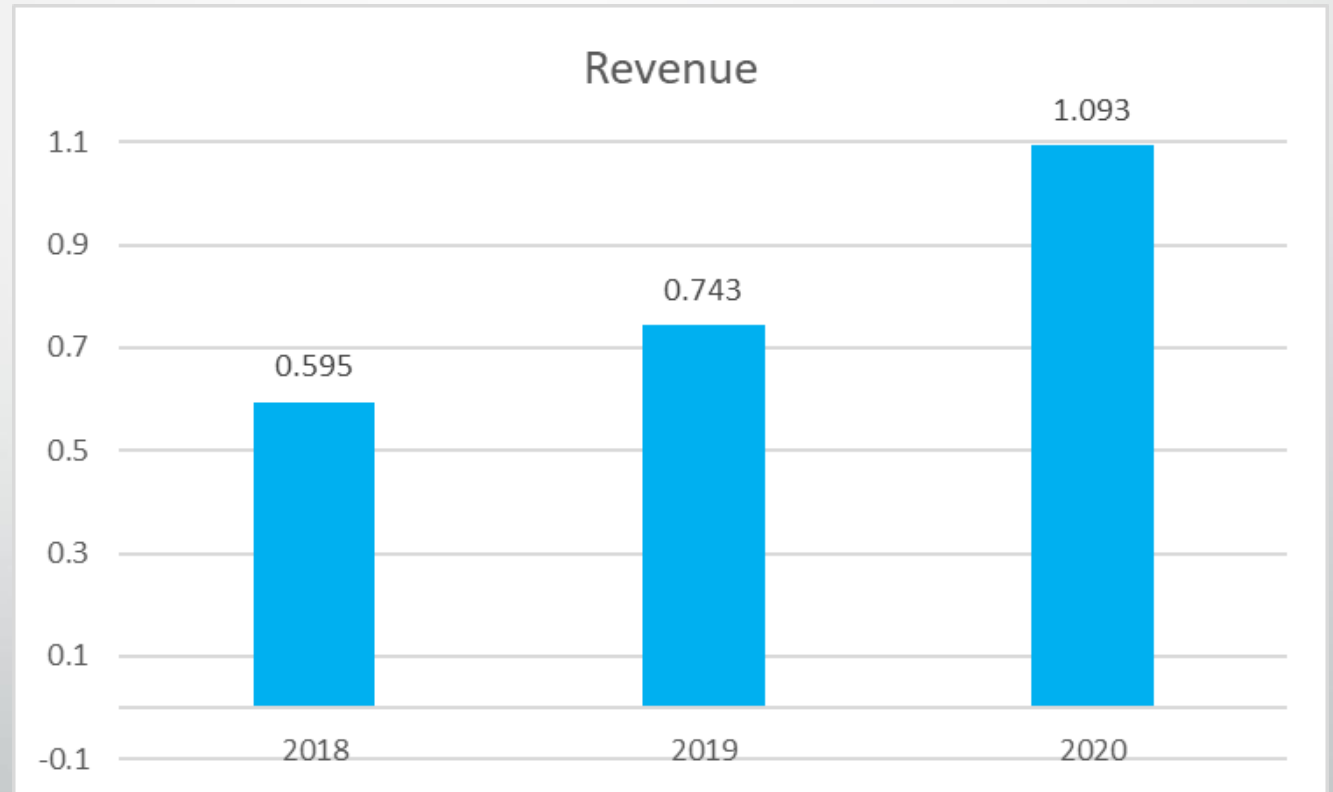
# Why pursue a partnership with IBM?

Partnership with IBM could potentially triple Palantir's Salesforce to 100 people

Estimated current Palantir Salesforce size: 33 people

**Potential additional  
yearly Revenue from  
diversification  
strategy: \$1.846  
Billion**

Increase in revenues  
for the past 2 years:  
**\$0.148 B, \$0.35 B**

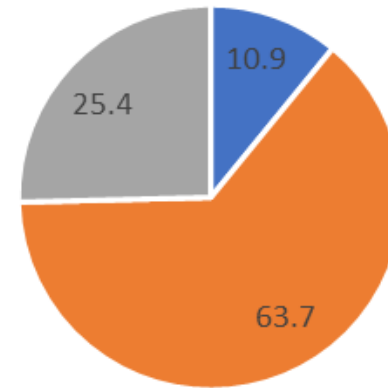


# Public Image

- What strategy should Palantir use to improve its public image?

# Current Software Industry

## Software Industry



■ Government ■ Business ■ Household

# What's in the Future?

- Global economic Impact of data analytics and AI by 2030 = **\$15.7 T**



# Controversies

Nature of Business

Software Platform – Gotham

Work with Immigration Customs Enforcement (ICE)

Project Maven

Political Leanings

# What could you lose if you don't improve public image?

Commercial Sector

Losing share in the growth market

Talent Pool

Employee's concern about controversial topics

Partners

Others may not wish to be associated with Palantir

# Improving Public Image – Alternatives

|                   | Hiring PR Agency | Dropping Controversial Projects |
|-------------------|------------------|---------------------------------|
| Profitability     | Low              | Moderate                        |
| Feasibility       | Moderate         | High                            |
| Company Alignment | High             | Moderate                        |

# Implementation - Opportunity in Covid

- Q1 2021 – Revenue growth of **49%** year-over-year by providing software platform to over a dozen countries to track and contain virus.
- In 2020, 107% revenue growth from US Commercial sector
- Leverage strength to penetrate healthcare, energy, insurance and more > improve lives around the world.

# Implementation - Improving Public Image

Short term (<1 year)

Drop \$42 M ICE project which account for less than 4% of company revenue in 2020. Support democracies without showing political preference.



Long term (1 year>)

Continue to work with governments on projects that are less controversial.  
Become the industry default.

# Timeline

**Now**

- Begin R&D on new product line
- Prepare to not renew contracts on controversial govt. Projects
- Remove specific political leanings from media communication

**6 Months**

- Do not renew contract with ICE
- Finalize sales expansion with IBM, training
- Research on pricing

**1 Year**

- Product line launch
- Engage sales and marketing team to push product to smaller companies

**2+ Years**

- Do not renew contract with Project Maven
- Continue to refine product line
- Consider moving into other types of analytics

# Risks and Mitigation

- Lowered ability of Palantir to differentiate itself from competitors



- Differentiate with high-quality projects not business model

- Partnering could cause loss of brand control



- Form integrated partnership

- Dropping certain projects could create ill will



- Use expanded sales team to maintain desired contracts

# Conclusion



Product Line: Diversify to bring in smaller companies as clients



Sales & Marketing: Increase size of team with partnership



Public Image: Drop most controversial government contracts



Thank you!

University of  
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Simon Business  
School

| Report Date                       |          | 03/31/2021  |        | 09/30/2020  |         | 03/31/2020  | 09/30/2019  |
|-----------------------------------|----------|-------------|--------|-------------|---------|-------------|-------------|
|                                   |          | 1st Quarter |        | 3rd Quarter |         | 1st Quarter | 3rd Quarter |
| Currency                          |          | USD         |        | USD         |         | USD         | USD         |
| Sales & marketing expenses        | -146.08% | 136,097     | 70.54% | 334,911     | -21.30% | 98,653      | 119,666     |
| Research & development expenses   | -218.79% | 98,471      | 79.04% | 313,915     | -15.32% | 65,800      | 75,880      |
| General & administrative expenses | -131.27% | 146,569     | 79.12% | 338,977     | -4.66%  | 70,765      | 74,062      |
| Total operating expenses          | -159.17% | 381,137     | 76.19% | 987,803     | -14.62% | 235,218     | 269,608     |

Current Sales  
and Marketing  
Expenses (mi  
d-year  
changes)