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Tech unicorns and COVID-19
Inside versus outside unicorns

COVID-19 marks the first true internet tech disruption ever, affecting technology roadmaps, investor attractiveness, and business models. For the first time, around the world, more than half the adult population had the tools and connectivity required for consumers and enterprises to choose online alternatives as their primary choice. This shifted networking infrastructures, subscription models, and advertising for consumers, and enabled or accelerated profound enterprise tech trends such as cloud computing and digital transformation.

The pandemic has drawn a bright line between “inside” vs. “outside” technology companies¹. Post-pandemic, we see a probable permanent shift in favor of inside companies, especially unicorns.

All creatures—even mythical ones—have their own taxonomy. COVID-19 has revealed two distinct species: outside and inside unicorns.

Although tech unicorns are strictly defined as privately held start-up companies with valuations of over \$1 billion, in this article we are broadening the term, and including former unicorns: high growth, high value companies that achieved first significant revenues and high valuations from last decade.

Inside companies benefit from people consuming from home (CFH), working from home (WFH) and learning from home (LFH). CFH examples include streaming media, food delivery, personal shopping services/online retail, and connected fitness. WFH and LFH rely on virtual collaboration tools such as video conferencing and workplace communications platforms.

Outside companies that rely on consumers leaving the house or traveling have experienced an immediate impact with drop in demand in the travel, transport, and hospitality sharing economy. Companies that ask people to go outside, such as to co-working spaces or physical classrooms, have also seen demand fall sharply.

During the pandemic, inside unicorns have seen growth in users, usage, revenues, profits, share price, and market capitalization (when public), or the ability

to raise further private rounds at higher valuations (when private). Outside unicorns have seen the opposite effects.

While the pandemic continues to be affecting behavior, unicorns with diversified business models (a ride-sharing company that also does food delivery, for instance) are affected differently from pure outside or inside unicorns. It is likely that we will see more platform companies take a closer look at introducing business models that—while taking advantage of the core business and platform—also help to diversify the company’s revenue streams. That may come with a cost: inside is often capital intensive, requiring billions of dollars to build (for example) delivery infrastructure.

Once we enter a post-pandemic world, not everything will have changed, but some things will. Because of COVID-19, hundreds of millions of people around the world are participating in what Benedict Evans calls “forced experiments.”² In the US alone, in just the past few months, WFH increased more than 40%, LFH increased nearly 80%, and online grocery shopping doubled. For context and scale, there are over 150 million Americans with jobs, over 50 million K-12 students, and over \$60 billion in grocery sales monthly.

Globally, we see a similar pattern elsewhere.³ In all of France and Germany, 70% or more of people said that—in terms of videoconferencing for work, remote learning for their kids, grocery delivery, telemedicine, and online fitness—they were using these services more or using them for the first time. In Italy, the comparable percentage of new or increased users was over 80% for everything except telemedicine, for which there was no data. And in China, remote learning, telemedicine, and online fitness saw new or increased users up 70%, although videoconferencing and grocery delivery were up “only” 50%.

Up until recently, too few people had tried these solutions to really know if they would work at scale. We now have enough real-world experimental data for workers and employers to know if WFH is feasible or desirable, for teachers, students, and parents to know if LFH is a good solution. Consumers and user interfaces have adapted to help the consumer experience by differentiating between six bananas, or six bunches of bananas and use AI to predict, upsell, or cross-sell items.

1. “[Inside Versus Outside: A Tech Perspective](#),” Shawn Mattar, April 2020.

2. “[COVID and Forced Experiments](#),” Benedict Evans, April 2020.

3. Ibid.

There looks to be three distinct phases in how societies react to the virus. The first is rolling global lockdowns, from January until now. The second is less restrictive measures, with gradual reopening, continued social distancing and some mask wearing, all tempered by fear of a second wave. The third will come when a mix of immunity, vaccines, or treatments makes people treat the virus as roughly equivalent to annual influenza, and no longer keeping people inside.

In phase one, the inside unicorns have been thriving, while the outside did not. In the second, although the bright line between inside and outside unicorns may be less bright, the inside solutions will still be relatively advantaged and the outside disadvantaged, although to a smaller extent than at the peak of lockdowns. But what of phase three?

To some extent, things will return to pre-pandemic pattern, but they will likely not return fully.

For the sake of argument, if phase three begins in spring of 2022, the world will have been in phases one and two for a full two years. That is likely long enough for habits to have been created. Even if fear of infection is much lower, people may still be hesitant to be in confined spaces with strangers—not for any ‘rational’ reason, but because aversion has become automatic.

A more significant factor is that the forced experiments we have gone through have shown, for example, that work from home technologies worked well. Surveys show that more than half of workers would like to WFH more often in the future, they believe they and their co-workers are as productive or more productive doing WFH, and employers are agreeing, with more than half saying overall productivity was as high or even higher during WFH.

In phase two, not only will unicorns of both types incorporate the inside/outside way of thinking when introducing or developing new business models, but there is a huge opportunity for companies to innovate and disrupt the current CFH, WFH, or LFH experience providing us not just viable but superior alternatives. Many of the tools we are using now are (barely, sometimes) meeting the gap, but they are not rethinking the gap.

The unicorns that introduce innovations in phase two—while habits are being formed and perpetuated—have the opportunity to shape phase three and become major players in this new normal economy.

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