

SMALL BUSINESS

Former Trader Finds Bull Market Watching Cows

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Arrowsight Inc.

Arrowsight CEO Adam Aronson

Meet Adam Aronson. He left a successful 10-year trading career to become an entrepreneur. No, he's not crazy.

"I wanted an operating career," says the founder and CEO of Arrowsight Inc. So in 1998 Aronson launched 'Parent Watch' — a web-based video service allowing parents to logon and monitor their kids at day care.

Parent Watch had raised \$30 million from investors. All was going according to plan — until it didn't.

"In 2000 I got a phone call from a friend at an investment bank. He was seeing that venture capitalists weren't getting any funding. It was a pretty ominous phone call. I thought, that's it. The party's about to be over," recalls Aronson.

Indeed, the bursting of the **dotcom bubble** in 2000 took down many internet companies, including Parent Watch. Its Manhattan office went from 120 employees to 20 and investor capital shrunk from \$30 million to \$10 million.

But, as they say, the lowest ebb is where the tide turns.

The Turning Point

Doubt took its toll on Aronson. "I was looking very hard at whether or not it was a real business — using video services."

His scrappy 20-person staff stayed with Aronson, but on the promise of a major overhaul. If daycare centers weren't the right market, he'd better find the right one.

He hired consultants to take the basic idea — putting cameras into a business location, looking at performance, and reverting feedback to managers — and find the right industry.

"It was the meat industry — certainly not on my radar at all. I literally knew nothing about it," confesses Aronson.

At this point, it made sense to try. The U.S. meat industry takes in approximately \$170 billion a year in revenues, and it has a heavy dependence on manual labor. Monitoring people, rather than machines, was Aronson's business.



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After four years consulting with industry buffs, deciding on the best delivery mechanism, building a call center, logistics and sales departments, Arrowsight Inc was born. Its product, Remote Video Auditing, offers video monitoring and, compliance reports. Initially all clients were small businesses.

But in the winter of 2008, everything changed. The USDA ordered a recall on 143 million pounds of beef — an action triggered by an animal abuse video.

A tape at the plant captured a slaughterhouse using the meat from cows that couldn't walk or stand, which often signifies the risk of mad cow disease. Because the plant's main customer was the USDA school lunch program, an uproar ensued, prompting Congressional Oversight Committee hearings.

While Arrowsight cameras were not used at that facility, they were being used at another one. Aronson was asked to testify at one of the hearings to explain what his company does, and how companies like his could provide better monitoring of meat packing processes.

"Because of that, I got on the radar of Cargill," said Aronson.

Within one year, **Cargill**, the largest agricultural company in the U.S., rolled out Arrowsight's video monitoring services. Others followed, including beef processor **JBS Swift & Company**. Two of the top five meat producing companies is a good chunk of market share.

In 2010, Arrowsight brought in \$2 million in revenue, and company projections by 2012 are \$5 million.

This growth rate depends on Arrowsight continuing its strong streak. It has already expanded into the healthcare industry.

Today, a **New York hospital reported** an 75 percent improvement in hygiene practices, as a result of Arrowsight's compliance reports. Negative implications for non-compliant hospitals may soon take effect.

The Next Step

At the point where a business is still young, nimble and growing, what is the next step?

For Aronson, it is to break into yet another market. But, he can't do this on his own.

"The intention I've always had, in order to scale it to many more industries, is not to do what we've been doing, but to partner with large consulting firm like Deloitte or Booz Allen," he says.

In this scenario, Arrowsight enters once consultants have left the building.

"When a consulting project is done, it's done. The camera could be brought in to sustain the improvement consultants put in."