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Back to the launch pad: after a few dormant years, tech entrepreneurs are returning to the game.

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Having launched a successful Internet startup in Silicon Valley in the 1990s, serial entrepreneur Kimbal Musk says he needed some convincing before deciding to headquarter his latest Internet venture, Me.dium, in Boulder, the town he has called home for the last several years.

[ILLUSTRATION OMITTED]

"I was very skeptical," says Musk, who took a break from technology to move to Boulder and open The Kitchen, a popular restaurant, in 2004.

Musk was asked to head up Me.dium in 2005, and the company's early backers--which included Denver-based Appian Ventures and Boulder-based investor Brad Feld--believed Boulder would be an ideal location for the nascent maker of collaborative Web-browsing software.

"But before I agreed," Musk says, "I met with 30 or 40 CEOs and entrepreneurs in town to get their honest opinion about what I was in for."

Musk must have liked what he heard because Me.dium was moved from New York--where the company was founded by Robert Reich, David Mandell and Peter Newcomb--to an office on Boulder's Pearl Street in 2006. Since moving to Colorado, Me.dium, which has created a Web browser plug-in that enables you to see the sites other Me.dium users are currently surfing, has raised $20 million in two funding rounds from Commonwealth Capital Ventures, Spark Capital, Appian Ventures, Feld, and Musk's older brother, Elon, who co-founded PayPal.

"This has been a phenomenal place to start a technology company," says Musk, Me.dium's CEO. "The nuclear winter of 2000 to 2005 seems to be over. Everyone is very excited about the future again."

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Entrepreneurs like Musk are helping to breed that excitement. After several years of lying low and traveling or trying their

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hands at other projects, these technology visionaries are once again launching new ventures.

"Many of the experienced folks who were taking a breather after the dot-com crash are back in the game," says Brad Feld, managing director at Boulder-based Foundry Group and Mobius Venture Capital. "Lots of real companies are being created, and there are lots of smart people willing to take risks again."

From Boulder's Medium and Collective Intellect to Louisville's Lijit Networks to Denver's Newsgator and Photobucket (which also has offices in Palo Alto, Calif.), to name just a few, many of these new high-tech companies have chosen to drop roots in Colorado.

"This is an awesome environment for technology startups to grow in--that's why I am here," says Ari Newman, co-founder of Boulder-based Filtrbox, maker of a new breed of content monitoring software that enables users to create customized topic filters to find online information that is most pertinent to them. "I left the Valley in 2002 to move out here. There are lots of good ideas and tons of motivated people."

Helping these companies germinate and grow are the growing number of private and venture capital investors located in Colorado, says Marc Silverman, an angel investor and executive director of the CTEK Boulder Venture Center. "What that means is that there are a lot of local people starting businesses."

CHANGE IN THE AIR

John Kembel, a former Silicon Valley technologist, is one of those people. "I could just smell it in the air that the market was back," says Kembel, who left a Ph.D. program at Carnegie Mellon University in Pittsburgh to move to Boulder in 2005 and start an Internet company called HiveLive.

Kembel may be new to Colorado, but he is no newbie when it comes to running a technology company. Labeled a "design maven" by Fast Company magazine in 2005, Kembel earned mechanical engineering and product design degrees from Stanford University before joining forces with his twin brother, George, to launch a design-consulting company in Palo Alto. While there, John and his brother worked with such consumer technology heavyweights as IBM, Leap Frog, Intel, IDEO and Paul Allen's Interval Research.

In 1999, the Kembel brothers started DoDots, a dot-com startup that, like many others, was pumped full of millions of dollars in venture capital financing and grew to employ more than 100 people before plummeting back down to Earth when the Internet bubble burst. The company, which created business-to-business infrastructure software that enabled companies to brand, package and distribute content to their customers, shut down in March 2001.



One failure isn't going to keep Kembel from trying again, however. Partnered with another brother, Geoff, he's in Boulder working hard to nurture his latest venture, HiveLive.

The company employs nine full-time people in the downtown Boulder office it rents above the Baked in Boulder pizza shop. It makes community and social networking tools for enterprise organizations that want to build private online communities for their customers and employees. Officially launched this month, HiveLive is already building online communities for more than five companies, which can use these communities to dialogue with customers, solicit customer feedback, provide customer support, conduct market research, share training or design materials among employees and more.

"Community and social networking tools enable a two-way dialogue," says John Kembel, HiveLive's CEO. "We believe they will very rapidly change how companies connect with their audiences."

HiveLive makes money from the monthly subscription fees it charges for its hosted software. It also provides consulting and design services to help its clients create and roll out online communities that best fit their marketing and other needs.

While there are a handful of other companies focused on applying social media tools to enterprise organizations, Kembel believes HiveLive offers a technological advantage. "We have a flexible building block so that we can do customization by clicking rather than coding," he says. "This makes the cost of customization very low."

In addition to the revenue generated by its paying customers, HiveLive is funded by a professional angel round of investment the company secured in late 2006. The company is also seeking venture capital investment. "There are great

VCs here," Kembel says. "We are starting those conversations now."

START A COMPANY AND KAYAK, TOO

While Kembel could have moved back to California to start HiveLive, he says he chose Colorado because his wife was born and raised here but also because the state provides an ideal place to live and work.

"I appreciate the life-work balance here," Kembel says. "My last company was started in the Bay Area, which is a different type of pressure cooker. I've learned that there are diminishing returns if you put in too many hours. We are more effective because of the environment here."

Talk to other Colorado entrepreneurs, and you often hear the same thing: People like being here because of the active lifestyle, sunny weather and easy access to hiking, skiing, rock climbing and other outdoor endeavors. 'The quality of life here is wonderful," says Michael Stacy, CEO of Groople, an Englewood-based online group travel agency. "People can go to work and, the same day, do things outside to re-energize their batteries."

This, says David Cohen, a Boulder-based entrepreneur, investor and technologist, makes it easy to attract smart, talented people who want to start and work for interesting technology companies in Colorado. "Great people want to live here," Cohen says.

Me.dium's Musk agrees. "There is a very strong creative class here, and the software engineers are excellent," he says.

Up until last year, Colorado led the nation with the highest concentration of tech industry workers as a percentage of the private sector workforce, according to AeA, a Washington, D.C.-based high-tech trade association.

Yet, technology job losses after the dotcom bust took a toll on the state, earning Colorado a spot on the AeAs "Bottom 5 Cyberstates" list in 2006.

Things appear to be looking up, however. According to a July 2007 report by University of Colorado economist Richard Wobbekind, the professional and business sector in the state--which includes engineers, computer systems designers, scientific research and development groups and corporate headquarters--continues to generate strong job growth.

Helping to drive this growth have been the recent hiring sprees by technology startups such as Medium and Confluence Commons, which are snatching up the area's available engineering talent.

"Because more companies are getting funded and more companies are moving here, the available talent pool has shrunk," says Newman, who was recently looking to hire a front-end Web developer for Filtrbox. "That is a great indicator that things are heating up and it is a good job market for tech people again."

'A VIRTUOUS CYCLE'

Because many entrepreneurs tend not to want to leave after moving to Colorado, the successful ones go on to create new companies here, mentor other Colorado-based entrepreneurs or become investors themselves in local technology ventures, Cohen says. "It's a virtuous cycle that has built up over time and has turned us into a top 10 startup market in the country."

Todd Vernon--co-founder and former chief technical officer of Raindance Communications, a Boulder-based Web conferencing company that survived the Internet crash and was purchased by West Corp. for $110 million in 2006--is a case in point. He's now running Lijit Networks, which was founded in 2006 to create a search widget that allows users to search the blog content, bookmarks, photos, videos and other online information created and published by an individual or company. Based in Louisville, Lijit has raised $4.2 million in two funding rounds.

Another Raindance founder, Paul Berberian, who served as the company's CEO, was behind the creation of Market Force Information, a customer-experience information firm that has already landed more than $50 million in venture capital and venture debt financing since its inception in 2005.

"Having a management team that had been there and done that before helped us to raise this money," says Market Force Information Co-founder and CEO Karl Maier, who himself has run numerous successful venture-backed companies. "We had relationships with folks and were a known commodity."

Jared Polis, who made millions creating and selling BlueMountainArts.com and ProFlowers.com, is another entrepreneur who continues to pump money into the local technology scene. His latest venture, a Boulder-based technology company called Confluence Commons, has created a product called Fuser that enables users to access their e-mail and social networking messages in one secure location.

To further foster the creation of successful technology startups in Colorado, Polis, Cohen, Feld and another local serial

entrepreneur, David Brown, joined forces this year to create a much-publicized technology boot camp called TechStars.

The TechStars founders invited 10 teams to spend the summer in Boulder and receive office space, mentorship and up to $15,000 in seed funding to pursue their startup ideas in exchange for 5 percent of the initial equity in their companies.

TECHSTARS RISE

Doug Ludlow, Johann Moonesinghe, Josh Larson and Tony Restuccia were among the 25 men chosen to participate in the TechStars program. (A few women applied, but none were selected.) They started their company, MadKast, maker of a one-click blog-sharing widget, in Los Angeles but decided to move the company to Boulder after being selected for the TechStars program. "Our biggest problem when we started the company in Los Angeles was finding like-minded individuals to hire and to be potential investors and partners," Ludlow says.

Hoping to connect with a network of successful entrepreneurs, the group chose TechStars over other technology incubators such as Y Combinator, a Silicon Valley-based seed fund that also provides business startup advice, because "TechStars seemed like the only incubator that was designed to give you mentorship and a lot of connections," Ludlow says.

MadKast officially launched its blog-sharing widget in early August and later that month pitched its company to a packed room of potential investors as part of TechStars' Investor and Demo Day. Since then, the MadKast share widget has been installed on hundreds of blogs and, more importantly, the team has been able to secure commitments for $300,000 in seed funding.

Although the TechStars program is over, the MadKast team plans to stay in Colorado, Ludlow says. "We want to continue to leverage our networks here and give back to Boulder."

Several of the other out-of-state TechStar teams also plan to stay in Colorado, and many are well on the way toward creating real companies and landing additional seed funding. Says Feld, "I expect that at least five of the 10 teams will formally launch and get funding."

TechStars may currently be the most publicized, but it is far from the only resource in Colorado to help jump-start new tech ventures. The Denver-based TIE-Rockies program pairs people looking to launch their own companies with experienced mentors and hosts educational and networking events for local entrepreneurs.

CTEK operates Venture Centers in Denver, Longmont and Boulder that provide budding entrepreneurs with resources and connections to qualified, experienced advisors to help them grow their companies. "Great advisors make all the difference in the world," Silverman says. "In the grand scheme of things, I think they are more valuable than even money."

Money is still important, though, and through its network of angel investors, CTEK also helps connect entrepreneurs with interested individuals looking to invest $200,000 to $650,000 in a local startup. In addition, CTEK manages its own venture capital fund geared toward providing cash to startups that need more than angel investors typically invest but less than is usually attractive to venture firms.

MONEY STOKES GROWTH

Adding fuel to Colorado's startup fire over the last several years has been the increase in funding options for the state's tech entrepreneurs.

Nationally, the angel investor market grew more than 10 percent in 2006 compared with the previous year, with investments totaling $25.6 billion, according to the 2006 Angel Market Analysis released by the Center for Venture Research at the University of New Hampshire. Some 51,000 ventures received angel funding last year, a 3 percent increase from 2005. The total number of angel investors reached 234,000.

While it certainly helps to have money in the bank, millions of dollars are no longer required to seed many technology startups. "Today, entrepreneurs can get started with a modicum of money and therefore risk," Silverman says.

Angel money is a good option for early-stage startups that can't yet generate enough revenue or friends-and-family funding to survive. The typical angel deal ranges from $250,000 to $350,000, and individual investors will usually look to put that money into an early-stage venture that is already up and running to some extent but needs additional funding to make it to the next level, Silverman says.

COURTING THE VCS

Entrepreneurs that require larger sums of money to start or grow their businesses often turn to venture capital. Billions of dollars in venture capital were funneled into startup companies in the late 1990s. But that spending spree came to an end with the dot-com bust, after which the VCs began putting their money mostly into more conservative, enterprise-focused

technology companies and biotech ventures.

"The VCs went back to what they knew, which was funding businesses that they had previously been successful in," says Filtrbox's Newman, who was a TechStars participant and also runs a startup consulting company called Newman Venture Advisors.

Thanks to the Web 2.0 model and cutting-edge innovations in social media, user-generated content and other technologies, VCs are once again stepping up their investments in Internet and software ventures--and a growing portion of that money is going to Colorado-based startups.

According to the Quarterly Venture Capital Report by Ernst & Young and Dow Jones VentureOne, 22 Colorado companies received a total of $285 million in venture funding during the second quarter of 2007. Boulder's FreeWave Technologies landed the lion's share of this money, $113 million--the largest venture capital investment made in the country during the quarter.

For companies seeking funding, now is a good time to look for money--including from the state's many venture capital firms, Cohen says. "We have a strong investment community right now as many of the VCs are finalizing raises of their funds."

Looking locally for VC or private funding is a smart strategy, regardless of location, Feld says. "Fishing in your backyard for investors is always easier than attracting a national investor."

This was the case for Boulder's Market Force Information. The company raised $750,000 in seed funding and a $20 million Series A round from Colorado investors and VCs, including Centennial Ventures, Boulder Ventures, Vista Ventures and Hercules Technology Growth Capital.

"For our Series A round, we were early enough stage that it was very helpful to get some folks here locally invested," Maier says. As the company grew and was looking to raise larger amounts of money, "it made sense to focus on out-of-state funding sources" including from Boston-based Monitor Clipper Partners, which led the company's $32 million Series B round in March of this year, Maier says.

Although VC funding has become more plentiful of late, the firms still expect a company to pass a long list of tests before an investment will be seriously considered, says Groople's Stacy.

Groople has been able to raise more than $20 million in funding because the company has a strong management team with deep industry expertise, it solves the complex problem of making group travel easier and more efficient for consumers, and it serves a large market--the $175 billion group travel market, Stacy says. "People have realized this is a great venture opportunity."

A lucrative exit--such as the one Photo-bucket achieved through its $250 million acquisition by Fox Interactive Media earlier this year--is also important.

"The big challenge right now is to convince the VC of what the exit strategy is," Musk says.

Although the public markets have a much smaller appetite for high-tech IPOs than they did during the dot-com "crazy days," Musk says the plan for Me.dium is to make lots of money through targeted advertising, partnerships and other revenue streams and then take the company public.

"This business will cover the whole Web, and there are enormous revenue opportunities from many different places," he says. "That makes us a very attractive public market candidate."

NOW OR NEVER

An initial public offering or acquisition is a long way off for Alan Seideman, Brady Becker and Martin May, whose first goal is to simply get their technology startup, Brightkite, off the ground.

The three left their jobs at Local Matters, a Denver-based online local search company, in April to participate in the Boulder TechStars program and fine-tune their location notification technology.

"We realized we wouldn't have any money once we quit our jobs, but we decided to do this anyway," says Seideman, Brightkite's CEO. "It's now or never."

Now that TechStars is over, Brightkite is looking to raise $500,000 to $1 million to fund its location-based applications, which enable users to receive text messaging alerts on their mobile phones when friends are nearby or locate sales or other retail deals close to their specific locations. After pitching to potential investors at the TechStars Investor and Demo Day and following up with five interested investment firms, Seideman says he's optimistic.

"We have no alternative," he says. "There is no plan B."

Feld's advice to the TechStars participants and other wannabe entrepreneurs is to simply take the plunge.

"Timing the start up of a company has never made sense to me," says Feld, who started his first company in Boston in 1987, at the beginning of a statewide recession. "If you want to do it, just go for it."

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Author: Mast, Carlotta
Publication: ColoradoBiz
Geographic Code: 1U8CO
Date: Oct 1, 2007
Words: 3222
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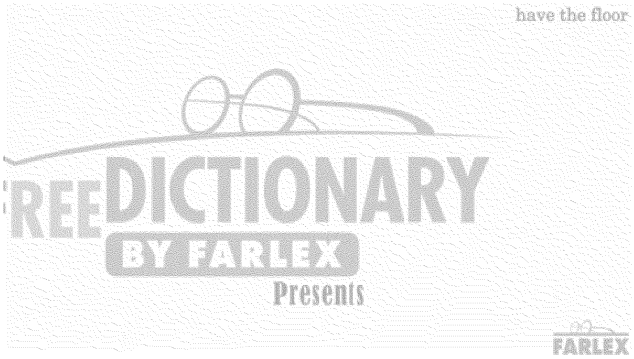
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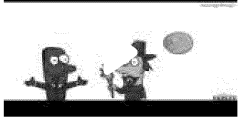
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