

Despite economy, new startups retain optimism

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Jay Moon shows off his Web site Foodoro at a “Demo Day” for startups in Mountain View, Calif., Wednesday, March 18, 2009. Moon introduced the gourmet retail Web site he co-founded for handmade goods. (AP Photo/Paul Sakuma)

(AP) -- With many established businesses just trying to survive, you might not think it's a good time to start a company, let alone ask anyone for money to help get it rolling. But if a series of presentations from fledgling Silicon Valley startups is any indication, innovation is not braking for the recession.

Over three hours Wednesday, more than a dozen [startup](#) founders - most of them in their 20s - gave rapid-fire talks to a group of peers,

journalists and potential investors about their companies.

Many of these startups are just a few months old, and some have not yet launched. Those on display ranged from an online marketplace selling gourmet treats to a company offering Web-based voice conferencing. Another is developing dating applications for the iPhone.

The presentations comprised "[Demo Day](#)," an event held twice a year by Mountain View-based Y Combinator, which provides startups with small amounts of initial funding (usually \$5,000, plus \$5,000 per founder) in exchange for small ownership stakes. Since its inception in 2005, Y Combinator has funded about 40 startups each year; it hopes to use a recent \$2 million infusion from [venture capital firm](#) Sequoia Capital and other investments to bump the number up to 60 per year.

The startups on display, all of which were funded by Y Combinator in January, had the same goals: Show people what you've been working on, and possibly get some money from an angel investor or venture capital firm to take your idea to the next level.

Paul Graham, a Y Combinator partner, said the financial boosts startups might garner after Demo Day vary. Some could raise as little as \$50,000, while others might make deals for more than \$1 million, he said, even though the economy has made it hard to raise larger amounts of funding - say, \$3 million.

Jay Moon, 30, took the opportunity to introduce people to the gourmet retail site he co-founded, Foodoro. He thinks of the site as "Etsy for food" - Etsy.com is a Web marketplace for handmade goods.

Moon said he came up with the idea a few years ago when searching for a gift to send to a friend in Texas. He settled on a box of peaches from a California-based organic farm, which his friend loved. This got Moon

thinking that he should make it easier for people to discover food from small producers. Foodoro launched 2 1/2 months ago, and has items from more than 60 producers.

Even though retail sales have slowed on and off the Web, Moon is optimistic about Foodoro's chances. After all, people will still give gifts.

The bad economy also seems like a ripe opportunity to Shazz Bhunoo, 25, co-founder of Propable, which rents apartments from property owners, furnishes them and then rents them out to people by the room. Propable has not yet officially launched, but Bhunoo said investors approached him Wednesday.

Jodie Griggs had a similar experience. The co-founder of Nambii, which has made iPhone dating applications like "Kiss or Miss" and "Pick Me Up" that can be used to flirt with people near you, said she had a "pocket full of business cards" after speaking, most of them from potential investors.

"It's very flattering to have people come up to you," she said, grinning.

Toni Schneider, a partner with Palo Alto-based True Ventures - which invested \$300,000 in a startup called BackType that Y Combinator funded last year - said the startups at Demo Day could have good timing. By the time they've grown larger, the economy might have turned around.

"Also, these are very capital-efficient teams - they don't need a lot of money to keep going. That fits the times," Schneider said.

Wayne Crosby, 31, and Robby Walker, 25, had an unusual perspective at the Y Combinator event - it helped make them rich, and now they were in attendance as possible investors.

After a Demo Day in 2007, Crosby and Walker's startup Zenter, which lets people create online slide presentations, was bought by Google Inc. for an undisclosed amount. With money from the Google deal, the two started Mixin Capital, which provides small amounts of angel funding - about \$10,000 to \$20,000 - to tide startups over between the investment they receive from Y Combinator and what they can raise down the road.

Mixin might invest in a couple of startups that presented during Demo Day. Crosby and Walker were intrigued by Skysheet - a company offering a Web-based spreadsheet application - and Heyzap, which makes it possible to embed games on Web sites.

[Recession](#) or no, Crosby thinks it's a good time to launch a startup.

"I think if you're an entrepreneur," he said, "you're always an entrepreneur, regardless of what the economy is doing."

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