

Minneapolis as a tech center? Start-ups say yes

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Ten of the top 20 most visited websites are based in California, with the remainder in New York, Washington and Georgia.

Is there room in techland for hard-working entrepreneurs from the middle of the U.S.?

Yes, say members of the close-knit tech community in Minneapolis, best known as the headquarters for the world's largest electronics retailer, [Best Buy](#), retail giant Target and several medical technology companies.

Some 150 young businesses are working to get companies off the ground here, according to tech.mn, a local website that tracks area start-ups.

"We have a phenomenal talent pool that's a lot easier to tap into than the (Silicon) Valley," says Casey Allen, co-founder of Project Skyway, an incubator helping start-ups find financing. One of its companies, educational software firm Naiku, recently got \$330,000 in financing from local venture firms, Allen says. The advantage to working locally: "We have a lower cost of living by a magnitude of two than San Francisco," Allen says. A start-up could try California, "or start a company here and have all the cost savings already built in."

USA Today visited several start-ups here at CoCo, a shared workspace in a bright, open former grain exchange. Allen works from CoCo, as do the founders of Qonqr, a game app planned for [iPhone](#), Android and Windows phones in early 2012.

The game first was seen publicly at the South By Southwest (SXSW) conference in Austin, Texas, this year; Qonqr was one of 40 companies out of hundreds that applied to present. "Even though we're here in Minnesota, there's chances to get out there," says co-founder Scott Davis.

Ben Kazez was a student at the University of Minnesota when he came up with the idea for the Flight Tracker app. Strolling through an airport, he realized there must be a better way to find gate connections and keep abreast of arrivals and departures. His \$4.99 app (the pro version is \$9.99) gives travelers the lowdown on gate numbers and flight times. More than 1 million downloads have been sold. In November 2010, travel site Expedia bought Mobiata, the company he founded, for an undisclosed fee.

Half of Mobiata's staff is in Ann Arbor, Mich.; the rest is split between Minneapolis and San Francisco. That gives Kazez a good perspective on the Midwest advantage. "You have a much better chance of communicating with normal people," he says. "In San Francisco, every single person has a Twitter account."

Kazez says San Francisco, Boston and Seattle are the big three for tech start-ups. The middle tier: Minneapolis; Austin; Boulder, Colo.; Chicago; and Ann Arbor - home to the University of Michigan, alma mater of Google co-founder Larry Page.

Would you have been an active user of Facebook before it moved from Cambridge, Mass., to California and struck it rich? That question inspires Wahooly, a Minneapolis-based website that marries start-ups with active users. If all goes as planned, new sites get to grow quickly, with help from their readily acquired fan base.

Users who spend a lot of time on the site and exert some online

influence get to share in up to 5 percent of the equity in the firm.

Wahooly works with San Francisco-based social-influence site Klout to spread the word. So far, about 16,000 have signed up to participate, along with 111 companies. Sign-ups close in January.

Some "90 percent of start-ups will fail," says Dana Severson, the CEO of Wahooly. "We're trying to make it easier to survive and level the field."

Gabe Cheifetz left Chicago for the Twin Cities in 2002, a fan of the music scene. He founded several start-ups, then in 2009 moved to CrumplePop, which makes special effects that work with Apple's Final Cut Video editing program. CrumplePop is in a small \$725-a-month studio on Minneapolis's south side, next door to a bakery. The four team members work on Macs and have sunlamps on their desks for dark Minnesota winters. They've sold more than 50,000 effects at \$75 each in the three years, Cheifetz says. "We're a 100 PERCENT Internet-based business."

The Minneapolis advantage: low rent, low cost of living, and the team gets to bike to work - even in the winter.

Jeff Pesek, who runs the tech.mn website, says the difference with a Midwest start-up vs. those in the [Silicon Valley](#) is stamina. "We aren't (a) flash in the pan," he says. "We're about building sustainable companies for the long term. This is not the place for overnight success."

Gene Munster, a Piper Jaffray analyst who covers Apple and Google - from Minneapolis - says Chicago, thanks to huge hits such as daily deals leader Groupon and food service company GrubHub, has a more thriving tech scene, but not forever. "We're emerging," he says. "But we're going to give Chicago a good run. They've got more people, but we've got the schools, our people, big companies and a history of

innovative thinking."

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