

# 'On-demand' startups see surge in venture capital

May 14 2015

---



Uber—the ride-hailing service—has raised more than \$5.5 billion, according to venture capital research firm CB Insights

Startups in the "on-demand" sector—such as Uber and Instacart, which offer speedy services on a smartphone app—are seeing an unprecedented surge in venture capital, a new report showed Thursday.

Funding for on-demand companies jumped 514 percent last year to



\$4.12 billion, and new investments in early 2015 have totaled at least \$3.78 billion, according to venture capital research firm CB Insights.

The rush to funding highlights the growing ability of emerging tech companies to raise venture capital at an early stage, without resorting to a more complicated stock offering.

The on-demand sector is one of the hottest, led by the ride-hailing service Uber, which according to unconfirmed reports has been in talks to raise an additional \$1.5 billion, an amount that could boost its valuation to \$50 billion.

Uber has confirmed that it has already raised more than \$5.5 billion, according to CB Insights. Others in this segment include ride-sharing rival Lyft which has raised \$862 million, lodging service Airbnb (\$794 million) and local delivery group Instacart (\$275 million).

The on-demand sector also includes Thumbtack, a way to connect consumers and professional contractors such as painters (\$148 million) and Handy, which offers services such as house cleaning and furniture assembly (\$58 million).

The sector has raised \$9.4 billion since 2010, but most of that has come in the past 18 months, according to the research firm.

"In 2010, there were under 20 (venture capital) investors that had done a deal in on-demand mobile services," the report said.





Airbnb—an online lodging service—raised \$794 million from venture capitalists last year

"At the end of April 2015, that figure has risen to 198. Said another way, there are 14 times the number of investors in the on-demand space."

Nearly two out of three of these firms are based in California, with 18 percent in New York, and significant numbers in Texas, Illinois and Massachusetts.

The most active investor groups in the sector have been SV Angel, Andreessen Horowitz and First Round Capital, the report said.

In addition to ride-sharing, a key segment includes startups in local delivery of food and other items, including Postmates, Sprig, Caviar and Doordash and others providing personal services such as errand-runner



TaskRabbit and Shyp, which offers on-demand shipping.

© 2015 AFP

Citation: 'On-demand' startups see surge in venture capital (2015, May 14) retrieved 13 March 2024 from <https://phys.org/news/2015-05-on-demand-startups-surge-venture-capital.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.