

SmartBlog on Social Media

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Live from CES: Where the venture funds are

by Mary Ellen Slayter

While 2009 was not a stellar time for the venture capital industry, 2010 is looking brighter, according to participants on an expert panel, “Venture Funding, Investment & Mergers – Leadership in the Entertainment & Technology Space: Broadband, Social Networks, Mobile and Games.” What does that mean for social networking companies? It all depends who you ask.

Mark Jensen of National Venture Capital Services Group, Deloitte Services LP, said more than 1,200 deals were completed last year in the mobile, social networking and gaming space combined, noting that in the social networking arena there were more than 500 deals alone. Most of the deals, however, were mergers and acquisitions — and very few IPOs. That leads him to the conclusion that “the jury is still out on social networking for the venture capital community.”

Jensen’s comments ignited a bit of a push back from John Balen of Canaan Partners. Balen disagreed, saying social networking is showing promise. He used Zeus, an online dating firm, as an example, saying, “the company is on fire.” It is more about realizing that in today’s marketplace, the playing field has been leveled and you have to find the standouts. Entrepreneurs have to be patient and their companies really need to figure out their competitive advantage.

The panel did seem to agree that to get funded an entrepreneur must have passion, credibility and the ability to execute their ideas. “Entrepreneurs must have passion,” said Ross Levinsohn of Fuse Capital, but he went on to clarify that they have to have more than that to succeed. “I hesitate to back any entrepreneur that doesn’t have passion and have a business plan.”

Todd Chaffee of Institutional Venture Partners seconded the idea, saying the best people to back are those that can actually execute on all fronts. “But, that is not an easy task,” he said.

The takeaway: Have a great idea, know your market and create a viable business plan. It is essential to recognize that viewpoints differ among investors. Some are focused on your rate of return, while others are more interested in building businesses and fostering great ideas.