

STARTUP INTELLIGENCE

Regional report | [New York: After the Alley](#)

Introduction	»
Drivers of Change	»
Investment Scene	»
Business Opportunities	»
Trends	»
Roadblocks	»
Mergers and Acquisitions	»
Startups to look out for	»

New York: After The Alley

INTRODUCTION

- Commercial tech innovation in New York has the energy of late 90s/early 00s, but this time with substance. Companies have more mature products and generate revenue.
- Startups are more likely to have a developer or a veteran entrepreneur as a co-founder.
- West Coast and New England investors are in New York hunting for opportunities.
- A strong focus on consumer web and creative industries as opposed to enterprise software.
- New York has a long way to go to catch up with the Valley.

For the last ten years, New York would hardly be considered a place to go to start a tech business. But in three years NY has been reborn as a hotbed of internet startups. A high proportion of these are attempts to automate and scale New York's traditional expertise in creative and financial services. A palpable shift in perceptions has made it socially acceptable to leave Goldman Sachs to join or start a tech company. Professionals in the scene agree the atmosphere feels like the late nineties and the numbers bear this out. More

than 20 early-stage venture capital firms now have offices in New York (see poster). Four major players, Matrix Partners, Canaan Partners, First Round Capital and Accel Partners opened offices in New York in the past year.

The 'mothership' tech community event, the NY Tech Meetup, has 18,384 online members. About 700 turn up to each monthly event. Other events are popping up around the city. Ten incubators (see poster) are mentoring and launching new startups in New York. Seven shared



workspaces for entrepreneurs opened in the last 18 months (General Assembly, Dogpatch labs, hiveat55, tech@NYU, Green Spaces, New Work City, Rose Tech, NYnightowls).

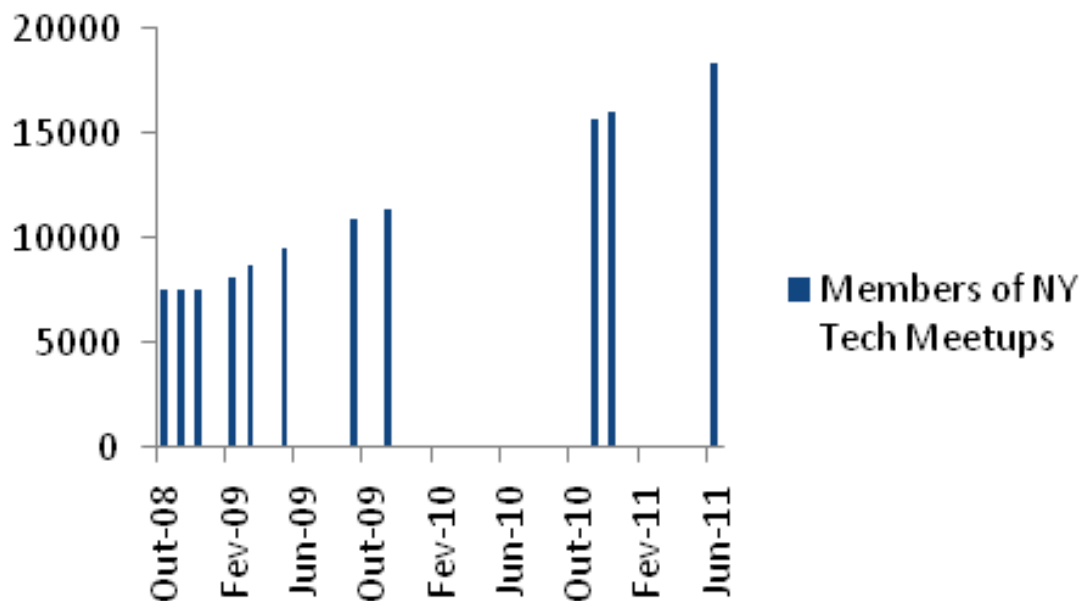
Access to investment is improving. According to the National Venture Capital Association New York-based companies completed 360 deals in 2010 worth \$1.9bn. This was the highest deal frequency since 2001 when investment in the NY region totaled \$3.4bn in 442 deals. Whilst the number of deals has increased, there hasn't been a proportional increase in total value. This suggests New York startups are increasingly getting Silicon-Valley-style early-stage support.

Media hype and easier access to risky seed funding prompts fears of a second Silicon Alley tech bubble. But most tech companies have a different profile from ones in the late 90s and early 00s. Startups now have products and services with revenue streams and despite some glaring exceptions (Foursquare raised a further \$50m in June 2011 at a valuation of \$600m without approaching break even) there is an increasing awareness of how important it is to have a sustainable business model. □

MOST TECH COMPANIES HAVE A DIFFERENT PROFILE FROM THE ONES IN THE 90S

Below: Number of members in the NY Tech Meetup has increased steadily since 2008

Members of NY Tech Meetups



	Silicon Valley	New York
Investors	4,042	3,714
Startups	1,704	897

Above: Number of investors and startups according to AngelList

Drivers of change

Anchor Companies

Headline startups like **Gilt**, **Foursquare**, **Meetup** and **Tumblr** have been decisive building blocks of the local startup ecosystem. These anchor companies have proved that the next Facebook could come from the East Coast and have drawn the eyes of investors. **Gilt Groupe**, the luxury flash-sales company has raised \$236m and is valued at \$1bn. **Foursquare** raised a third round of investment in June 2011. These companies generate the critical mass of investment, experience and inspiration to get smaller ventures going. **Foursquare** is the true hub of the booming NY tech scene. Their API appears in the mashups of most hackdays, they host meetups at their offices at 36 Cooper Square and mentor other entrepreneurs. They're even idolised by Mayor Bloomberg who named a public holiday after them

(April 16th - 4 squared geddit?). Successful exits such as AdMeld (acquired by Google for \$400m in June 2011) or **Drop.io** (acquired and shut down by Facebook in October 2010) nurture the startup ecosystem. Big-ticket exits mean more cash in investors' and entrepreneurs' hands, and slowly builds the community of local 2nd and 3rd generation founders who have learnt from their mistakes. This also attracts the attention of talented engineers from schools on the East Coast: MIT, Carnegie Mellon, Cornell and Columbia, who no longer see Silicon Valley as the only place to roll the dice on a startup.

Social Skills

The tech startup company with the potential to become a giant multinational



Above: Foursquare, Tumblr Meetup, Gilt Groupe

within months is a new phenomenon. It requires new skills that old economies can't provide. These companies can face competition from anywhere on earth in a way that no other industry has had to deal with. According to conventional economic

theories of clusters, this should improve the comparative advantage of a region like Silicon Valley, locking out other regions from areas of innovation. Specialised regions have a greater concentration of talent and expertise and a better integrated community. ➡



Above: NYC is more compact and easier to navigate than the Valley

Joint marketing and competitive pressure drive companies to evolve fast and differentiate. Entrepreneurs create more entrepreneurs. Innovation is a positive feedback loop. This renewable cycle has been essential in the making of a 'NYC startup community'. Luckily for New York, because tech startups can cycle from launch to exit within months or years, this renewable cycle can be generated quickly. It's clear that the NYC startup community is beginning to enjoy some of the benefits of social re-enforcement. The rapid increase in the number and attendance of events and co-working spaces displays the increased appetite for knowledge. Accelerators like General Assembly have demonstrated remarkable results. Within months of opening, residents **Nodejitsu** and **Posling** acquired funding and **Nodejitsu** hired developers from the temporary member's area.

New York has its core advantages when it comes to fostering entrepreneurship. It is compact and easy to get around, unlike Silicon Valley. Many of the tech companies there are based down south in Palo Alto, a good hour's drive from San Francisco. Investors,

startup teams and tech events are all within reach, mostly below Central Park Manhattan. In a big city with a busy social agenda, newcomers are easily knitted in. The City That Never Sleeps has its own mentality. Local experts in the tech scene agree on a typical NY founder profile: entrepreneurs are driven and focused, they tend to be positive and stay humble, not turning into 'rock stars' as happens in the Bay area. The community is cooperative and willing to help each other since they think of themselves as the underdogs when compared to the West Coast. Cliques are slow to form.

Due to the city's financial expertise, NY entrepreneurs tend to have better business skills and focus more on their product's business model rather than technical features. What was once a weakness – as web 1.0 companies in New York struggled to find development talent – has become a strength in an era of easy access to cheap programming environments and outsourced development. New generation NY startups are finding the right balance between business-oriented and tech founders.





Cultural shift

As a financial services hub, New York like London provides thousands of well-paid jobs for talented developers in major banks. The financial crisis has had a noticeable effect on startup investment activity in New York, although the effect has been less marked than in Silicon Valley (see chart on page 8). More significantly, the financial crisis damaged the social standing of Wall Street bankers just as it did to those in the City of London. Suddenly it has become less trendy to work in Goldman Sachs. Even Mayor Bloomberg, a long-standing ally of tax breaks for the major banks seems to be spending a lot of time hosting panels on entrepreneurship, sponsoring incubators and events through the New York City Economic Development Corporation and the Department of Information Technology and Telecommunications (see poster for details of these). New York has been subject to the widening cultural awareness of tech entrepreneurship driven by films like *The Social Network* and the new medium of mobile, which still belongs in a large part to lean startups. □

Investment Scene

Investors of all sizes are flocking to New York. Venture Capital Firms, Corporate Venture Capital arms, bankers turned micro-VCs and entrepreneurs turned angel investors are looking for the next big opportunity. As the poster shows, the epicentre of VC activity is Manhattan, especially around Park Avenue.

Former startup founders from the anchor companies in New York often become angel investors, join micro VCs or mentor newcomers. Many VC firms with smaller funds and a focus on tech seed funding have set up shop in New York in the last two years, for example Founder Collective, Gramercy Labs, Dream IT Ventures and Joshua Kushner's Thrive VC (See poster for details).

According to data from the National Venture Capital Association, VCs are increasingly investing on the East Coast (see graph below). The funding gap between the

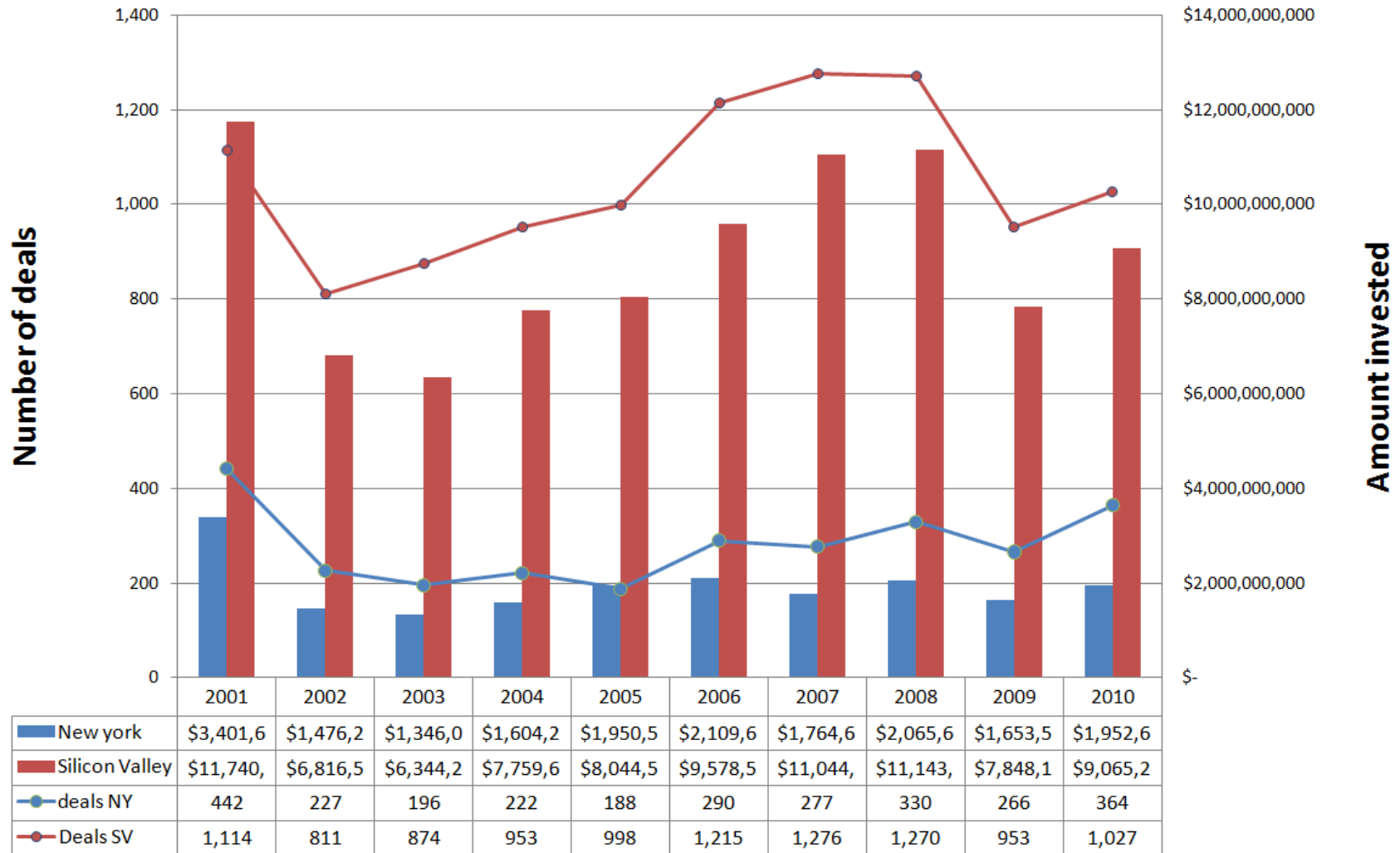
Valley and New York has narrowed. The West Coast is still far ahead in terms of total investments: between 2008 and 2011, VCs invested \$9.5bn in NY, compared to \$48.6bn in Silicon Valley. But the number of deals completed per year in NY increased over the past five years, whilst in Silicon Valley the number declined. In recent years the number of completed deals in New York has risen faster than the total amount invested meaning that investment firms in NY are focusing on startups and early-stage companies, assigning smaller amounts per deal and widening their portfolio.

New York will soon pass Boston to become the tech runner-up. Although Massachusetts still beats New York on total value invested, the gap is closing here too. In 2010 165 internet startup funding deals were closed in New York, just 113 were closed in Boston. Although both cities are booming, New York is growing faster. □



THE INVESTMENT GAP BETWEEN SILICON VALLEY AND NEW YORK IS NARROWING DOWN, ALTHOUGH THE WEST COAST IS STILL WAY AHEAD

Venture Capital Investment (\$)



Above: Venture Capital Investment in New York and Silicon Valley 2001-2010 (NVCA)

State Investment

The State of New York has been widely criticised for not providing the infrastructure for tech innovation. Entrepreneurs say current public investment is not tailored to them and too top-down. Mayor Bloomberg has been trying hard to shake this perception. The city's first Chief Digital Officer, Rachel Sterne, was instigated in January. She will direct New York's digital strategy. The New York City Economic Development Corporation funds many of the programmes, but shares efforts and resources with the Department of Small Business Services, the Department of Information Technology and Telecommunications and the Office of Media and Entertainment.



Above: Mayor Michael Bloomberg is leading an effort to encourage tech entrepreneurship

Official policies to encourage innovation already in place include:

- An appeal for a new tech university in New York to be sponsored by local government
- A website called the Business Express Wizard, a simplified business incorporation tool with digitally-issued licences and permits
- Business training programs for entrepreneurs, FastTrac and JumpStart
- Six sponsored workspaces and incubators (see poster for details)
- Creation of a \$22 million New York City Entrepreneurial Fund (in partnership with FirstMark Capital)
- Contests such as NYC Big Apps and NYC Next Idea
- Open access to NYC Platform, a public set of APIs, and NYC Datamine, a group of 350 sets of local authority data

MAYOR BLOOMBERG APPOINTED RACHEL STERNE AS THE CITY'S FIRST CHIEF DIGITAL OFFICER

Below: Stanford is willing to build a science campus in New York

Education and Entrepreneurship

New York doesn't have an obvious equivalent to the famous engineering colleges Stanford or Berkeley on the West Coast, churning out star developers of the future. This could be a major stumbling block for New York; the integration of the large tech corporations in Silicon Valley with the Stanford Campus is key to the rapid cycling of academic innovation to commercial applications on the West Coast.

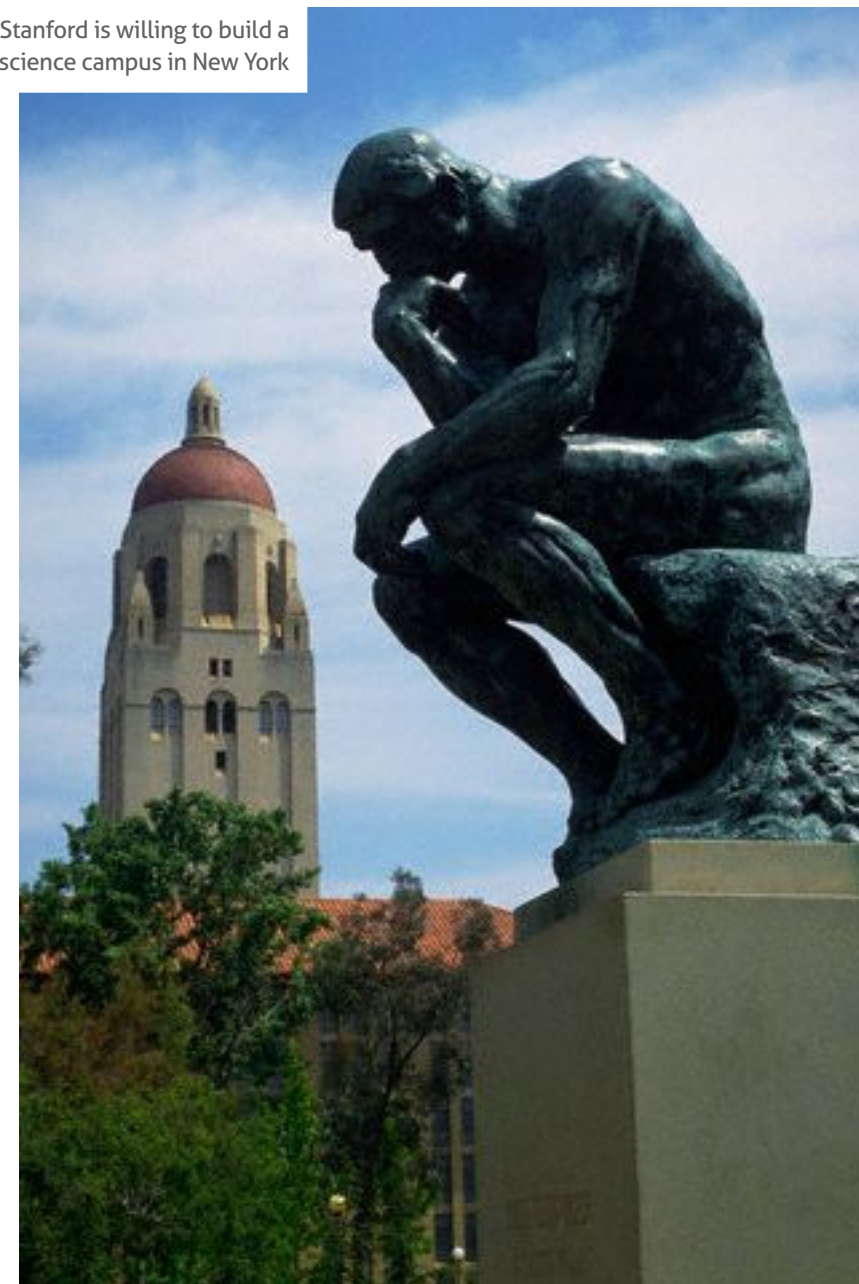
Mayor Bloomberg has advertised for a university to set up a satellite campus within the city on a patch of local government land, inviting applications from around the country. Stanford University has expressed interest in opening a satellite campus. The university wants to invest in an applied-sciences research campus and replicate their formula out East. The proposal is one of the 18 presented to the New York City Economic Development Corporation (NYCEDC). These involve 27 universities

MAYOR BLOOMBERG APPOINTED
RACHEL STERNE AS THE CITY'S
FIRST CHIEF DIGITAL OFFICER

who are willing to be part of the new NY tech scene. The NYCEDC will choose the final candidate later this year (2011) and pay for some of the set up costs.

Within the city, New York University (NYU) is the most active at trying to foster tech entrepreneurship. Tech@NYU is a program that connects technologists with entrepreneurs, promoting startup events and teaching coding skills to those with no technical background. The university is also investing significantly in its Polytechnic arm – NYU Poly – as a natural home for startups. The Polytechnic institute has three incubators and partnered with the NYC Seed fund for mentoring and funding.

Ivy League Columbia University is still lagging behind in terms of web startups. Columbia technology ventures is very successful but focuses mostly on life sciences and pharmaceutical ventures. Nevertheless, the university also presented a project to NYCEDC ☐.



Below: New York is the US media and advertising capital



Business Opportunities

Creative Industries

New York startups are currently focusing on what the city is most known for – its creative industry and consumer-facing retail. The city has always been the media and publishing capital of the United States. Media, communications and publishing industries are the second biggest tenant in New York, accounting for 14 percent of the new leases.

The creative industries are part of the city's DNA and startups are taking advantage of it. After all, these are the industries that are being transformed by the Internet. New internet businesses interacting with traditional advertising, marketing or publishing companies need to be in the city. It is where potential partners and clients are and proximity still plays an important role when establishing partnerships. **NewsCred** is an example of a tech startup in New York working along these lines. **NewsCred** started as a community-curated news ranking

system, but moved to New York pivoted this year to white-label content aggregation and distribution (similar to **Strategy Eye**, but for open sites).

Part from Marketing and Advertising, Fashion is also a trending sector. Several startups are shortening the distance from the catwalk to the web, and potentially accessing an enormous market: online apparel sales were estimated at \$26.6B in 2008, up 17% over the previous year (see trends). The music industry is also going through a revival as startups reinvent the way people listen to music and watch video. The overall music market is shrinking (total industry sales are estimated to hit a new low in 2014 at \$5.5B, compared to industry sales of \$10B in 2008), but digital music sales are growing. NY-based startups like **Ex.fm**, **Dubset**, **Blurts.com** or **Broadkastr** are well-placed to carve a niche from the vacuum of the music labels, using semantic search, user-generation and social media tools to deliver and share music, sound and video in innovative ways.



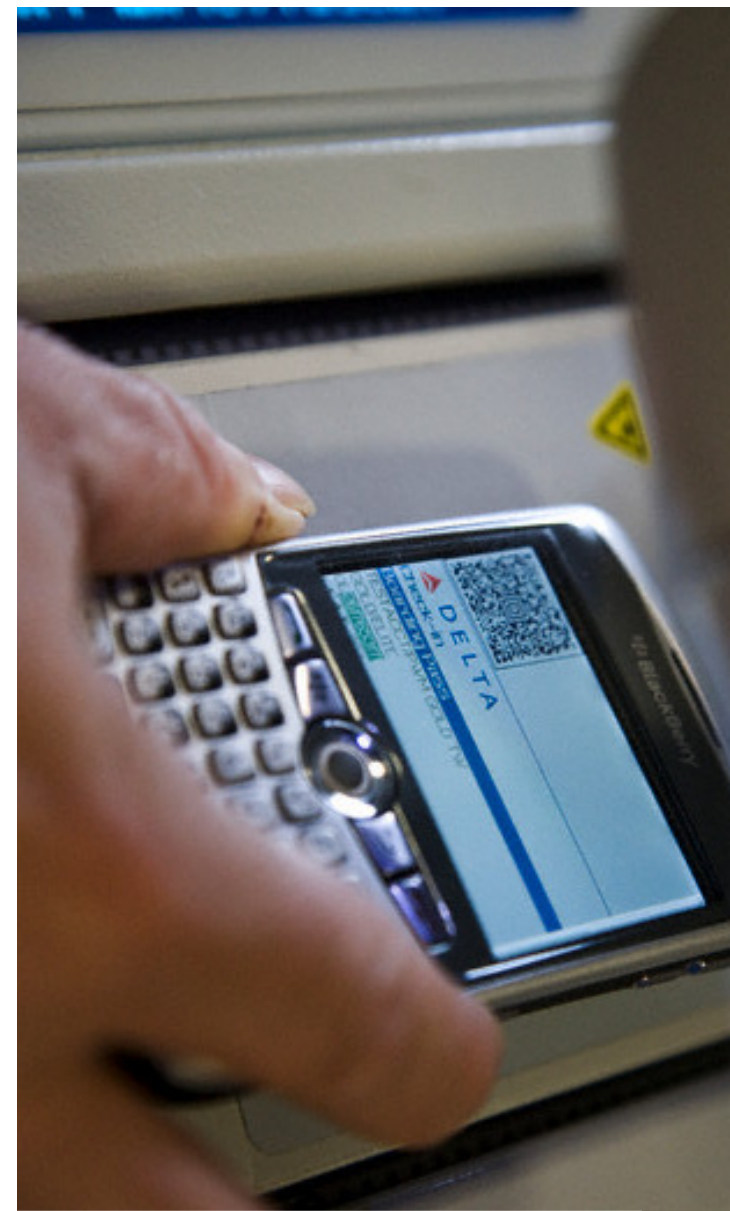
NY Startups - a different kind

New York startups tend to approach different markets to those in Silicon Valley. Startups in the Bay area frequently focus on cutting-edge back-end technology where they have a clear competitive advantage. Years of experience, close connections with tech universities, a dense contact network and major neighbours such as Google or Facebook, help new ventures acquire funding and invest in products that take longer to build but have explosive growth potential. On the other hand, New York startups can fill a clear gap in the market. NY ventures focus mostly on Consumer Web (the exception being financial and marketing analytics). As it becomes cheaper to set up a new company, NY entrepreneurs tend to invest in products or services that do not require as much technical expertise and that can hit the market soon after producing. These might have lower margins and lower growth rates, but they can grow steadily and easily expand.

Financial Services

NY startups are developing solutions for offline problems, resolving market inefficiencies and streamlining operations. Due to the city's integration with Wall Street, local companies are well-positioned to understand clients from the corporate and financial world and meet their needs. Former engineering staff from financial institutions are an asset for startup teams, since they combine technical skills with business acumen and an acute awareness of the shortcomings of tech solutions in financial services. Financial services represent a huge market ripe for exploitation by tech startups. Celent expects global financial institutions to spend \$363.8bn on external software in 2011. Banks and Hedge Funds have been working on ambitious algorithmic trading platforms for years and they welcome innovation in these sectors, becoming extremely valuable clients. The FinTech Innovation Lab demonstrates the appetite for this kind of innovation. It is a tech startup in-

cubator for ideas that could disrupt financial services. Staff at Bank of America, Barclays Capital, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, J.P. Morgan Chase, Morgan Stanley, State Street and UBS will choose which teams make it in, winners will be announced in July 2011. VC firms Contour Venture Partners, Polaris Venture Partners, Rho Ventures, RRE Ventures, Village Ventures and Warburg Pincus will provide the initial investments. Graduating startups will have unparalleled access to clients and contacts on Wall Street. **Hidden Levers** (see startups to look out for) is an emerging startup (actually based at the Varick Street incubator – see poster) working on investment analytics software. **Enterproid** (see startups to look out for) is a good example of a hybrid consumer/commercial product. The team has a financial background from Morgan Stanley and has just launched an application that splits the phone in two separate environments (work and leisure)..□



Above: Corporate NY is a huge market for startups

Trends

Fashion

New York is the country's fashion capital – a sizeable market that is still mostly grounded in traditional supply chains and offline sales channels. Online fashion sales are increasing year-on-year, growing faster than personal finance, electronics and healthcare according to data from ComScore. Similarly, the MasterCard SpendingPulse report shows US online clothing sales grew by 28% last Christmas compared to December 2009. New online tools are optimising the fashion market. Naturally, New York is the best place for these companies to bloom.

US ONLINE CLOTHING SALES
GREW 28% DECEMBER 2009
TO DECEMBER 2010

Fashion GPS is one of these leading New York fashion innovators that could only have come from New York. They developed an inventory management system that tracks items lent to stylists and publishers and evaluates the relationship between brands and magazines. Tailor-made for the fashion industry, **Fashion GPS** has gained a lot of traction in the last 2 years and has more than 60 corporate clients. On the same note, startup **Joor** (see startups to look out for) wants to disrupt wholesaling. Boutiques can use **Joor** to scout for new designers and make their orders online, without spending time in showrooms, browsing samples or meeting designers individually.



Above: New York Fashion Week Spring/Summer September 8-15



Fashion startups are also working on making luxury items accessible to middle-range users. Startups such as **Birchbox** and **Edition01** (see startups to look out for) have found new ways to deliver high-value products to online users.

Other fashion projects such as **FashionStake** or **Svply** use different web 2.0 techniques like internet crowd sourcing. **FashionStake** is an online marketplace for users to pre-order collection items and fund alternative designers' new projects. **Svply** is like a search engine for fashion items that adapts results to one needs or taste.

Since it is a market so sensitive to trends, innovative data analysis is also starting to play a role in online fashion. Startups such as **Stylehop** are try-

ing to analyse consumer patterns and produce fast fashion forecasts to merchants. Predicting the next craze based on real-time tracking of online shopping and comments. ➡



Above: The Chrysler Building

Analytics

Corporates are willing to pay to learn more about their clients and to monetise that knowledge. Startups in New York can leverage Wall Street expertise in real-time data-analytics, and sell to the giant retail brands, financial institutions and advertisers with bases in the city.

Startups doing marketing analytics are leading the trend. With the advent of social media, traditional measures of retail performance: footfall, web traffic and voxpop polls, are being outperformed by online tools. Companies still need to measure traffic stats and clickthroughs, but they are now looking at more complex factors such as interaction depth and

brand awareness. The targeted online advertising market is expected to grow significantly next five years, advertisers want to identify their audiences beyond the standard demographics and startups are answering those needs by working on hyper-specialized products, for example **Stylehop** for fashion brands and **LocalResponse** for local-based services (see startups to look out for).

Ordergroove and **Cognition** take analytics a step further. Both NY startups offer tools that help brands improving their customer retention.

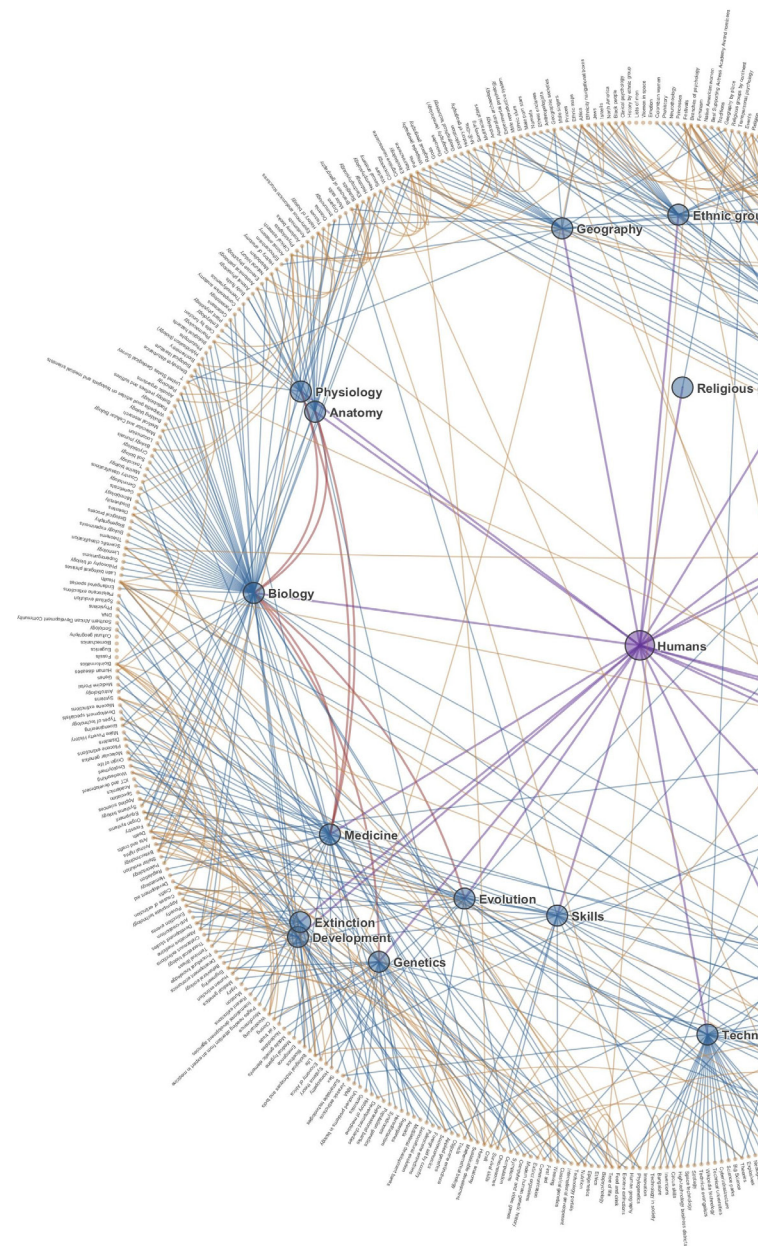
STARTUPS IN NEW YORK APPLY WALL STREET ANALYTICS TO RETAIL AND MARKETING

Ordergroove tracks individual user behaviour on websites and suggests monthly subscriptions for items that a user buys frequently. **Cognition** digs deeper into irrational consumption behaviour in order to iden-

tify potential buyers and increase sales (see startups to look out for).

Many startups are also building Social Media dashboards so that brands can manage their presence on the web and interact with their audiences. **Postling** is one of the most talked about in New York. The company, founded by ex-**Etsy** members (another successful NY venture) gives small businesses a set of tools that allows them to self-manage their brand on multiple platforms.

Beyond social media and marketing, there are also other sectors that could use analytics tools. **Profitably** is targeting those clients, with its financial metrics tools. The startup is developing web-based software for managers, bookkeepers and accountants that compiles and analyses customer sales, payrolls, employee performance and other business metrics. □



Roadblocks



Above: There's still a chance the New York tech scene will fizzle out.

Although journalists, entrepreneurs and investors highlight New York's momentum, they agree the city still has many obstacles to overcome

Failure to reach climax

A few successful startup exits have started nurturing the ecosystem needed for startups to thrive in the city. But there hasn't been a 'Paypal event', a huge keystone company that leaves behind a mass of skilled and entrepreneurial staff on exit who can develop their own startup projects. The most obvious way New York could hurdle this roadblock would be for several medium-sized companies to merge. This is the most promising route to a blockbuster M&A market too (see Mergers and acqui-

THERE STILL HASN'T BEEN A
'PAYPAL EVENT' IN NEW YORK

sitions). If **Foursquare** or **tumblr** merge with other internet companies and exit quickly, their staff might then play that role.

Bubbles

Startups are attracting more funding as angels and VCs see them as exciting bets. Many in the sector deny that a second tech bubble is in the making. They argue that the current high valuations are simply a product of supply and demand. But others point towards excessive valuations that are feeding an inevitable bubble. A failed IPO or one that does not meet the current high expectations could be the needle that pops the bubble, deflating the party atmosphere.



Moving West

The NYC startup scene is undeniably immature.

Despite the sheer number of events and VC firms there are few mid-stage funds. There is a clear trend for startups to move

headquarters

to series

Silicon Valley

when they

approach

B rounds

of fund-

ing (see Mergers and Acquisitions).

It's still fastest to raise finance in the Valley. We do not

expect mid-market mergers and

acquisitions in the next three

years, mostly for this reason.

Lack of talent

A shortage of skilled developers could still hold

back New York. As the

economy recovers, financial ser-

vices and corporate jobs become more attractive again and fewer

will prefer the thrills of a startup to the comfortable bonuses of

Wall Street. Universities in the area are not doing enough to attract

students into technical careers. NYU

is primarily an arts school. The

area needs a whole new

generation of highly skilled technical staff

with knowledge of fast-growing and scalable businesses, who understand

how startups work.

New York will not approach Silicon Valley as

a tech hub within three years. But that does not mean New

York can't be successful. Focusing on the right industries, NY startups can still change the world. □

THERE IS A CLEAR TREND FOR STARTUPS TO MOVE WEST FOR A SERIES B ROUND



Below: Westward Ho!

Mergers and Acquisitions

Since 2009, 60 New York-based software companies were acquired, for a total amount of \$2.8bn. Half of the deals' values were undisclosed but we can see that most of them were under \$100m (see next page). There is a conspicuous gap between the smallest exits and the largest. Only four companies were bought for around the \$100m mark.

Facebook and Google were among the shoppers in NY. The social network acquired cloud storage startup **Drop.io** for \$17m. Google acquired advertising startup **Invite Media** for \$40m and video startup **On2** for \$132m - one of the most expensive deals within the internet sector.

Other web/mobile exits included application developers **AppSense**, **KickApps** and **Wimba**, gaming company **Boonty** and **Jack of All Games**. □

Announcement Date	Bidder Company	Target Company	Seller Company	Deal Value (US\$m)
24-Mar-09*	Victory Acquisition Corp	TouchTunes Music Corporation		318
05-Aug-09	Google Inc	On2 Technologies Inc		132
31-Jan-11	KIT Digital Inc	KickApps Corporation	North Atlantic Capital Corporation; Prism Venture Partners; Softbank Capital Partners; and Spark Capital	45
21-Dec-09	Synnex Corporation	Jack of All Games Inc	Take-Two Interactive Software Inc	43
29-Oct-10	Facebook Inc	Drop.io Inc	RRE Ventures LLC; and DFJ Gotham Ventures	17
21-Jan-11	Zynga Inc	Zynga New York		-
20-Oct-10	SG Growth Partners I	Voyetra Turtle Beach Inc (Majority Stake)		-
12-Jul-10	SAC LLC	Motionbox Inc	Constellation Growth Capital; Canaan Partners; and SAS Investors	-
22-Jun-10	4Info Inc	Butter Inc		-
12-Jan-09	Nexway SA	Boonty Inc	Weka Entertainment	-

Above: Select deals in web/mobile application space.

* represents lapsed deal

Announcement Date	Bidder Company	Target Company	Seller Company	Deal Value (US\$m)
26-Oct-09	Dassault Systemes SA	IBM Corp (Product Lifecycle Management)	IBM Corporation	600
23-May-11	Kohlberg Kravis Roberts & Co	Ipreo Holdings LLC	Veronis Suhler Stevenson	425
22-Nov-10	News Corporation	Wireless Generation Inc (90% Stake)		360
24-Mar-09*	Victory Acquisition Corp	TouchTunes Music Corporation		318
26-Apr-11	Pearson Plc	Schoolnet Inc	The Carlyle Group LLC	230
05-Aug-09	Google Inc	On2 Technologies Inc		132
27-Aug-09	NYSE Technologies Inc	NYFIX Inc	Warburg Pincus LLC	106
31-Aug-09	NICE Systems Ltd	Fortent Inc	Warburg Pincus LLC	74
23-Feb-11	Goldman Sachs	AppSense Inc (Undisclosed Economic Interest)		70
07-Jul-10	Blackboard Inc	Wimba Inc		60
04-Feb-10	Industrias Romi SA	Hardinge Inc (49.3% Stake)		57
31-Jan-11	KIT Digital Inc	KickApps Corporation	North Atlantic Capital Corporation; Prism Venture Partners; Softbank Capital Partners; and Spark Capital	45
21-Dec-09	Synnex Corporation	Jack of All Games Inc	Take-Two Interactive Software Inc	43
02-Jun-10	Google Inc	Invite Media Inc	Comcast Ventures; First Round Capital; and Genacast Ventures	40
24-Mar-11	R R Donnelley & Sons Company	Journalism Online LLC	News Corporation; Steve Brill (private investor); L Gordon Crovitz (private investor); and Leo Hindery Jr (private investor)	35
28-Jul-09	Vista Equity Partners	MicroEdge Inc	Advent Software Inc	30
19-Jan-10	InterCall Inc	Stream57 LLC		28

Announcement Date	Bidder Company	Target Company	Seller Company	Deal Value (US\$m)
24-Aug-09	TIBCO Software Inc	DataSynapse Inc	Goldman Sachs; Intel Capital; Bain Capital LLC; Wand Partners Inc.; Wachovia Strategic Ventures; NeoCarta Ventures Inc; Stonehenge Capital Company, LLC; New York City Investment Fund; and Silicon Alley Venture Partners LP	28
26-Aug-09	Instinet Incorporated	TORC Financial LLC	JDI Financial	21
09-Mar-11	Syntellect Inc	CosmoCom Inc		20
22-Jun-10	TIBCO Software Inc	Proginet Corporation		18
29-Oct-10	Facebook Inc	Drop.io Inc	RRE Ventures LLC; and DFJ Gotham Ventures	17
02-Feb-11	Savoie Inc	Retrotech Inc		14
17-Sep-09	RuggedCom Inc	WiNetworks Inc	Columbia Capital; Rho Capital Partners Inc; Cedar Fund; and Evergreen Venture Partners	14
05-Jan-10	Dot Hill Systems Corp	Cloverleaf Communications Inc	BancBoston Capital Inc; Genesis Partners Ltd.; Hyperion Israel Venture Partners; and Catalyst Investments LP	12
05-Oct-09	KIT Digital Inc	The FeedRoom Inc	Velocity Equity Partners LLC; BEV Capital; and NewSpring Capital	10
17-May-10	RTN Stealth Software Inc	Market Guidance Systems Inc		7
25-Jan-10	VistaPrint NV	Soft Sight Inc	High Peaks Venture Partners	7
12-Aug-09	CIBC Capital Partners; and ABS Capital Partners	Digital Mandate LLC		6
09-Nov-09	GTCR Golder Rauner LLC	NYFIX Inc(Transaction Services business)	NYFIX Inc	5
21-Jun-11	Oracle Corporation	FatWire Corporation		-
12-May-11	Updata Partners	CA Technologies (Internet Security Business Unit)	CA Technologies	-
21-Apr-11	ION Trading	Wall Street Systems	Warburg Pincus LLC	-
12-Apr-11	Baymark Partners	Computer Integrated Services Company of New York LLC		-

Announcement Date	Bidder Company	Target Company	Seller Company	Deal Value (US\$m)
21-Jan-11	Zynga Inc	Zynga New York		-
18-Jan-11	Adobe Systems Incorporated	Demdex Inc		-
07-Jan-11	Wall Street Systems	Thomson Reuters Corporate Treasury Manager	Thomson Reuters Corporation	-
07-Jan-11	DRS Sonar Systems LLC	Advanced Acoustic Concepts LLC		-
30-Dec-10	WPP Digital	Blue State Digital LLC		-
06-Dec-10	AT&T Inc	Xanboo Inc		-
03-Dec-10	BMC Software Inc	GridApp Systems Inc		-
08-Nov-10	Undertone Inc	Jambo Media LLC		-
20-Oct-10	SG Growth Partners I	Voyetra Turtle Beach Inc (Majority Stake)		-
08-Oct-10	Hellman & Friedman LLC	Wall Street Systems		-
05-Oct-10	Oracle Corporation	Passlogix Inc		-
10-Aug-10	IBM Corporation	Datacap Inc		-
28-Jul-10	StrongMail Systems Inc	Conversa Marketing LLC; and Magnetik Communications LLC		-
12-Jul-10	SAC LLC	Motionbox Inc	Constellation Growth Capital; Canaan Partners; and SAS Investors	-
01-Jul-10	Zumasys Inc	Choice Computing Inc		-
23-Jun-10	Algorithmics Inc	VIPitech	Towers Watson & Co	-
22-Jun-10	Genstar Capital LLC	Netsmart Technologies Inc (Undisclosed Stake)	Bessemer Venture Partners; Insight Venture Partners; and Salmon River Capital LLC	-
22-Jun-10	4Info Inc	Butter Inc		-

Announcement Date	Bidder Company	Target Company	Seller Company	Deal Value (US\$m)
09-Feb-10	Thomson Reuters Corporation	Aegisoft LLC		-
04-Jan-10	FXall Ltd	Lava Flow Inc	Citigroup Inc	-
09-Nov-09	Carlyle Partners V LP	Open Link Financial Inc	TA Associates Inc	-
22-Oct-09	Edline LLC	SchoolWorld	RMK Holdings LLC	-
15-Sep-09	Rocket Software Inc	IBM Corporation (U2 Data Servers and Tools)	IBM Corporation	-
04-Mar-09	Marlin Equity Partners LLC	MDeverywhere Inc		-
25-Feb-09	CDNetworks Co Ltd	Panther Express	Greylock Partners	-
12-Jan-09	Nexway SA	Boonty Inc	Weka Entertainment	-
05-Jan-09	CA Technologies	Orchestria Corporation	Goldman Sachs; Benchmark Capital; Paladin Capital Group; Constellation Growth Capital; RRE Ventures LLC; Focus Ventures; Doughty Hanson Technology Ventures; and New York City Investment Fund	-

Startups to look out for



The Hyped

- **Postling**

Postling is a social media management tool for small businesses. Brands can monitor and manage their presence on different social networks through **Postling's** dashboard where all brand mentions are compiled and analysed. Users can post updates across different platforms, see reviews that mention the company, track influential advocates among other features.

The company was founded in June 2009 by former Etsy staff David Lifson (CEO), Chris Maguire (VP of Engineering) and Haim Schoppik (CTO) and launched at the incubator Dream IT Ventures. Since then, it raised \$700k in two rounds of investment. Currently it has 21,000 users who account for 10,000 businesses and is aiming at a \$3m Series A round.

The Marketing analytics sector is quite crowded with tools like **Tweetdeck** or **Hootsuite**. New startups such as **Comufy**, **Brizzly**, **CoTweet**, **MediaFunnel**, **Spreadfast**, **Netvibes** or **Threadsy** are also going after small businesses for their social media and marketing strategy.



- **Group.me**

Group.me is group texting application. Created in October 2010, it recently launched version 2, including location-awareness and photo-sharing.

Co-founders Jared Hecht and Steve Martocci developed Group.me at a TechCrunch disrupt Hackathon. The NY startup has secured \$11.5m in two rounds of funding. It raised an initial round of angel funding (\$850K) with Betaworks, First Round Capital and Thrive VC, among others. In the beginning of 2011, a series B round of \$10.6M brought Khosla Ventures, Lerer Ventures, General Catalyst and Founder Collective on board.

By May 2011, it had sent 100 million messages. The company was recently on the news again after acquiring blackberry application developer Sensobi for an undisclosed sum.

There is a lot of competition in the group texting sector. Fast Society targets parties and concerts' fans. **Yobongo** focuses on geo-located chat rooms. Instant messaging **Kik** also provides group-texting features and **Beluga** was recently acquired by Facebook. **Group.me's** new features also point towards a more comprehensive 'private network' like **Path**.



The Fashionable

- **Joor**

Joor is a private network for fashion designers and retailers. Boutiques can use the platform to browse through designers' collections, find new brands and place their orders.

Mona Bijoor founded the company after her experience as a fashion buyer in tradeshow and showrooms. The online wholesale platform already has 200 brands and 1500 retailers and is aiming at 1000 designers and 7500 stores globally. It focuses exclusively on women's wear and contemporary brands.

Joor faces competition from other wholesale platforms, such as **retourware24**, but none focuses solely on high-end fashion.

Fashionstake is also in the same market, as an alternative crowdfunding platform for fashion designers. Eventually, other online retailers such as net-a-porter or ASOS could go into the professional market as well.



- **Edition01**

Edition01 is a fashion startup that sells limited edition and luxury items online. The startup was founded in 2010 and it is launching officially in September 2011.



EDITION01

- **Birchbox**

Birchbox is a monthly subscription service that delivers luxury beauty samples. Users get a box every month with a selection of 4 to 5 products for \$10 per month. The website is also an online beauty store where it is possible to buy the actual product. It features editorial content on beauty and lifestyle.

Harvard alumni Katia Beauchamp and Hayley Barna founded the company in September 2010 and have more than 20,000 subscribers. Investors include First Round Capital and Accel Partners who led a Seed round of \$1.4m. Other individual investors are Sam Lessin (founder of **drop.io**), Dave Morin (founder of **Path**), Michael Dearing, Kirsten Green and Gary Vaynerchuk.

There are many online beauty stores, such as **feelunique.com**, but most rely on more traditional ecommerce solutions. **Yellow Box Beauty** is also on the samples by subscription market.



- **ClothesHorse**

ClothesHorse is an online shopping tool that helps users find clothes that fit them best. It works as a tool on retailers' websites that helps them decide which size to choose. On **ClothesHorse** website, users can also browse and find new designer clothes based on their taste.

The startup was founded by Dave Whittemore, who had experience in the clothing business after his first venture. Started a custom clothing company, **V Bespoke**. Dave is also the President of Columbia Ventures Community and New York Ventures Community.

ClothesHorse is 'launching soon'.

.....
 THERE ARE MANY ONLINE BEAUTY STORES, BUT MOST RELY ON TRADITIONAL ECOMMERCE



The Musical

• Dubset

This Internet radio allows you to discover new music recorded live at clubs and events, and create your own custom channel.

David Stein, CEO and founder of the company who worked as a club promoter in a previous life. He launched the company in February.

Dubset has developed a music fingerprinting technology called MixScan to identify multiple songs in a mix and then accurately reports them licensing organizations to pay royalties to artists. This technology is the main factor that separates Dubset from its most similar Austrian competitor, **Play.fm**.

The platform works as a marketing tool for DJs and the venues that they play at. About 500 DJs have set up profiles. The self-funded startup is still exploring its monetising options.



• Exfm

Exfm is a Chrome extension that turns the web into a personal music library. This social media discovery platform gathers every MP3 file as you browse the web, building a music library and simultaneously checking all the sites visited, adding new music every day.

The company was founded in March 2010 in New York City by Dan Kantor. Previously, he founded **Streampad**, a social music service that was acquired by AOL in 2008.

In October 2010, the company raised \$1.25m in seed funding that included Spark Capital Partners, Betaworks, Dave Morgan and Founder Collective. It was launched in March 2010 under the name of **ExtensionFM** but in addition to the name change version 2.0 of the plugin has now been launched with new features, including integration with Twitter, Facebook and Tumblr. It has recently launched its first mobile app for iOS and now has around 50K users.

The Analytical

• Cognition

Cognition is an online retail tool that wants to quantify and analyse irrational consumption behavior. Its aim is to turn that data into valuable information for retailers in order to increase their sales and customer retention rates.

The startup was founded by Paul M. Cohen (CEO) who has a background in cognitive science and behavioural economics, as well as professional experience on online retailing. Warren Samlin (COO), Jeff Shaffer (CTO) and Rogerio Candias (Chief Scientist) complete the team. **Cognition** was launched and funded by Dream IT Ventures (\$25k). It is now accepting applicants for its beta program.

Other companies are looking at online consumption patterns, such as **Ordergroove** but **Cognition's** approach to irrationality is very innovative.

• Gamechanger

Gamechanger is an application providing amateur sports statistics. For now, it focuses only on baseball and softball but the team is working on its proprietary agnostic 'stat engine' in order to expand to other sports easily.

The free application was created by Ted Sullivan (CEO) and Kiril Savino (CTO), an ex-**doubliclick** developer. Founded in January 2009, **Gamechanger** already lists 24,000 teams. Recently, it landed a partnership with CBS high school sports website MaxPreps.com and with startup **Narrative Science**, which automatically transforms raw data into journalistic reports.

The startup faces competition from other scorekeeping tools such as ESPN iScore. Also, many specialized social networks could go after the amateur sports' stats market such as **Pitchero** or **Bluefields**. Other sports have their own apps, as **ShotView** does for Golf. Since 2009, it has raised \$1.06m in three angel investment rounds.

• Profitably

Profitably is a web application for small businesses where managers and accountants can keep track of their financial data. Users can analyse metrics on pricing, sales or payrolls and get recommendations on which areas to act first.

Adam Neary (CEO) founded the company in March 2010 with Francis Hwang (CTO). Graham Siener and Chad Pugh complete the founding team. The company is hosted at the incubator General Assembly and it has raised a total of \$1.4m in two rounds of funding. Main Investors include North Bridge Venture Partners, David Tisch and White Owl Capital.

The company faces competition from other financial metrics dashboards, such as 60mo, **Star analytics** and most Customer Relationship Manager (CRM) services.

• Ordergroove

Ordergroove is a client-retention platform for ecommerce merchants that provides a sort of 'RSS feed for online products one can subscribe to'. It tracks repeated purchases, proposing then a subscription option for the most purchased products.

The company was founded in 2008 by Greg Alvo, who had experience in online retailing after working at **Liquidation.com**. The team includes Scott Simonelli (VP of Sales and Services), Jorge Escobar (VP of Engineering) and Eric Stucki (VP of Marketing and Optimization). Peter Fader sits on the Board of Advisors next to Julie Constantin, Michael Goldstein and Mark Wachen. This SaaS solution works as a self-service platform where clients (online retailers) can monitor and change their subscription options, as well as manage inventory and customer service. **Ordergroove** faces competition from any customer loyalty solution and from many CRM systems. Others in the client-retention sector include **RightNow**, **Loyalty Bus** or **Cognition**, although they all approach the sector differently.



• Opinionaided

This free application is a platform for real-time and user-generated feedback on other users' questions. Created in May 2010, it generated 90 million responses to over 1.2 million user questions in its first year.

Dan Kurani is the startup's founder and CEO. In March 2011, he raised \$1.2m in an Angel round that included General Catalyst, SoftBank Capital and Draper Fisher Jurvetson. The application is now on its version 3.0, which includes new customization features, beyond voting and commenting.

Question-based service Quora and, to a certain extent, Twitter operate in the same market. Other websites with 'how-to' features also go for the question and answer model, such as **Chacha** or **Mahalo**. Younger startups **Snaptag** and **Fashism** also rely on the same crowdsourcing principle of instant user-generated comment, helping users to decide on purchases and outfits, respectively.



• Enterproid

Enterproid's application – Divide – splits mobile phones in two separate environments, where users can have their work and leisure data stored on the cloud. **Enterproid** is targeting corporate clients by providing them an alternative to RIM Blackberry where users can still keep their personal data private and their professional info secure. It launched its private beta in March 2011.

The company was founded in January 2009 by former Morgan Stanley staff Alexander Trewby, David Zhu and Andrew Toy. It is headquartered in New York but it has offices in Hong Kong (where the technical development is) and in London. Since January 2010 it has raised \$1.8m in two rounds of funding. Comcast Capital is a main investor.



The rest

• Broodr

Broodr is an online marketplace where users can sell their inventions. The platform showcases unique objects and toys and collects a 5% fee for every transaction. It launched its private beta in April 2011 and it is aiming to reach 500 sellers by the next month.

Jason Blanck founded the startup in the beginning of 2010 after winning the 2011 NYS Business Plan Competition and has recently moved to New York for a residency at OMD incubator. The company is also planning a seed round of investment.

Broodr faces competition from well established ecommerce platforms like eBay or Amazon where one can buy virtually anything and other gadgets' websites such as iwantoneofthose.com or [firebox](http://firebox.com).



• SeatGeek

SeatGeek is a ticket search engine for sports, music and culture. It focuses on the ticket secondmarket, aggregating data from different sources. **SeatGeek** also uses data analysis to forecast tickets' prices and spot good deals.

Dartmouth alumni Jack Groetzinger and Russell D'Souza co-founded SeatGeek in May 2009, during the first Dream IT Ventures incubator in New York. Since then, they have raised \$2.12M from a large group of investors including Stage One Capital, Founder Collective, NYC Seed, Lerer Ventures and Ashton Kutcher.

The startup uses a similar process to flights search engine such as **kayak** or **Orbitz** and its main competitors are FanSnap and sellers such as eBay or Ticketmaster.



• Hoot.me

Hoot is a Facebook application that adapts the social network to 'study mode'. Users – teachers and students – can collaborate on school projects via Facebook, through features such as screen sharing or video conference.

The company was founded by Gaurav Sanghani (Senior Developer), Michael Koetting (CEO) and Sid Upadhyay (CTO) in June 2010. Recently it raised \$25k in seed funding from Dream IT Ventures and moved from Texas to New York.



• Selfey

Selfey is a marketplace where users can buy and sell their spots in a queue. The application tells users who else is in line and if someone is willing to sell their place.

The startup pitched at NYC Startup Weekend and it plans to launch a beta testing in the near future.

• Broadkastr

Broadkastr is a social discovery tool for video that uses different APIs to source video, just as **Turntable.fm** does for music.

Founder Nayan Behal got four other members on board and the team is now working on the application development. They pitched at NYC Startup Weekend and are planning to launch a beta testing soon.

• Guyhaus

Guyhaus is a service of monthly delivered house supplies for men. The company was founded in April 2011 and is launching an alpha testing next month. The startup is also planning a similar service for women – galhaus.

Founder Jesse Middleton has a background in entrepreneurship and startups. He previously founded **ChefAme**, an online community for local chefs. Andrew Sternthal, Michael Oliver complete the founding team.

• Newscred

Newscred is a content platform that aggregates and provides news content to corporate clients. The company was founded in 2007 by Shafqat Islam, who pivoted from his initial idea of finding rating and voting news sources. Investors include Floodgate Fund, IA Ventures and Naval Ravikant.

Newscred offers both a free and a pro version, where users can edit their newspapers, write editorials and monetize their outlets.

There are many players in the niche news and DIY news market. **Meehive**, a similar service from **Kosmix**, was shut down last year. Outbrain also refocused its service. **Tabbloid** and **Feedly** are applications that provide similar services. **StrategyEye** is the most direct competitor, since it targets the corporate market as well.

• Brandpulsar

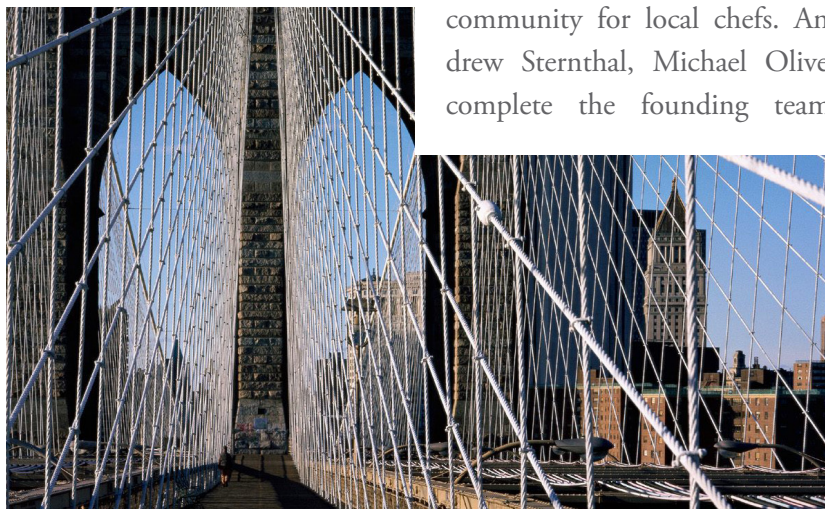
Brandpulsar is a brand-recognition advertising tool. It recognizes brands' logos in photos and it displays interactive advertising related to the brand. The service is targeting publishers and brands, who can also use non-branded images to advertise their related products (for example, a car brand can use all car pictures to advertise)

The founding team of **Brandpulsar** is made by Etienne Depaulis, Addy Feuerstein, Courtney Davis, Hadrien Kulik, Nicolas Desjardins and Nicolas Kiehl. The team pitched at NYC Startup Weekend and tested its product on Techcrunch.

• Snaptag

Snaptag is an iPhone application for social shopping. Users take a picture of the item they want to buy and enter price details. The application posts it on the snaptag platform and other social networks, where users can rate and comment on the deal.

Snaptag was founded by Ayal Ebert and launched officially in June 2011. Other social shopping tools include **Barcode Hero** and **TreatFeed**.



broadkastr.tv

guyhaus

NewsCred

BRANDPULSAR

Snap TAG

- **HiddenLevers**

HiddenLevers is a financial startup that analyzes macroeconomics factors and their impact on individuals' portfolios. Its products include trends setting, risk analysis and economic data. The startups targets private equity firms, traders, advisors and investors in general as their main clients. It also established partnerships with Business Insider, CNN Money and Morning Start, which feature **HiddenLevers** commentary.

The company was founded by ex-Wall Street traders Praveen Ghanta and Raj Udeshi in October 2009 and it was part of FinovateSpring2010. It competes with traditional financial terminals such as Bloomberg or Reuters. **Brightscope** operates a similar model, but it focuses only on retirement savings plans.



- **Tagify.us**

Tagify is an online application that manages personal contacts, according to their professional expertise. The application crowdsources the needed info in order to make a contact's profile more accurate.

The founding team pitched at NYC Startup Weekend and took the first place of the competition. Co-founders Kelsey Falter and Niko Pipaloff are working with Corbin Fields, Justas Janauskas, Steve Liu and Cavanaugh Noel to mature the product.



- **Art.sy**

Art.sy is a platform where users can browse art from museums, galleries and private collections. It uses The Art Genome Project as a reference to describe and connect art pieces, providing new art recommendations.

Art.sy was founded in 2009 by Carter Cleveland and Sebastian Cwilich, who have a mixed background of art and Computer Science. The startup has raised \$1.41m in angel funding. Jack Dorsey, from Twitter, Eric Schmidt (Google) and Wendi Murdoch (News Corp) are some of the high-profile investors.

Currently, **Art.sy** is available by invitation only. The company faces competition from other Art browsing platforms such as **DeviantART**, **ArtFinder** or **ArtCalendr**.



- **Class.io**

Class.io is a platform where teachers and students can communicate and share resources. It includes features such as homework management, facebook alerts, course timeline and it integrates with Google Apps for Education.

The company is currently part of incubator DreamitVentures. It will have to compete with other educational management tools such as blackboard or moodle and also with startup Hoot.me.



DATA SOURCES

- Comscore - State of the U.S. Online Retail Economy in Q3 2010 - http://www.comscore.com/layout/set/popup/request/Presentations/2010/State_of_the_U.S._Online_Retail_Economy_in_Q3_2010_Video_Archive_Request?req=presentation&pre=State+of+the+U.S.+Online+Retail+Economy+in+Q3+2010
- Celent: "IT Spending in Financial Services: A Global Perspective," January 2010 RMARKET
- Mergermarket - New York M&A data
- MasterCard Advisors' SpendingPulse report - http://www.mastercardadvisors.com/us/advisors/en/information_analytics/spendingpulse.html
- NVCA - Industry Stats - www.nvca.org/
- NYC - Road Map for the digital city - <http://www.nyc.gov/html/mome/nycodc/90dayreport.html>
- Nielsen - Driven by Digital, Music Sales up in 2011 - <http://blog.nielsen.com/nielsenwire/consumer/cue-the-music-driven-by-digital-music-sales-up-in-2011/>
- Porter, M. - "Location, Competition and Economic Development: Local Clusters in a Global Economy." Economic Development Quarterly 14, no. 1 (February 2000): 15-34.
- Porter, M. - Clusters and the New Economics of Competition - HARVARD BUSINESS REVIEW - Nov 01, 1998.