VC 3.0 - Re-inventing Start Up Capital (again)

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Startup Capital and Finance Are Being Revolutionized

It's increasingly unlikely we'll see additional software platform giants like Google or Amazon

Investors looking for "10 bangers and 100 bangers" will begin shifting their money into new areas…

The Evolution of Venture Capital

VC 1.0

010110
101100
0101111

Bits

Software

VC 2.0

010110
101100
0101111

Networks

Internet, Mobile, Social

VC 3.0

010110
101100
0101111

Atoms

Physical Space,
Manufacturing

Microsoft intuit vmware amazon.com UBER
ORACLE Netscape Google facebook airbnb SolarCity TESLA

“Tesla is going to be hell-bent on becoming the best manufacturer on earth.”

“[We are] turning the factory itself into a product.”

– ELON MUSK

Three New Capital Models for Start Ups

Manufacturing

Asset sharing 2.0

- Software enabled, super convenient

Asset aggregation

- Software enabled, super convenient

Case Study of VC 3.0 Failure

Between 2006 and 2011, Venture capital firms spent over $25 billion funding clean energy technology start-ups – they lost over half their money (MIT 2016)

What went wrong? Understanding this is key for VC 3.0

- Prototypes couldn’t scale to high volume manufacturing
- Return profile fell outside traditional VC investor expectations
- Capital management skills for traditional VCs and Entrepreneurs were only part of the required set

Financial Skillsets

Finance 1.0 & 2.0

- Raising equity capital
- Payroll and taxes

Finance 3.0

- Multiple types of capital
- Supply chain
- Inventory
- Packaging
- Distribution
- Safety
- Standards & regulations
- Global tariffs & imports

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