Nick Beim and Internet Start-up Investing: A Growing Venture Capital Market (2/2)

In December 2010, The Economist ran an article on the subject of technology start-up overvaluation, examining both sides of the issue in depth. In the article, which was originally published in The Economist’s print edition and later posted online, the author wrote: “For the first time since 2000, Internet and technology entrepreneurs can raise seed capital with little more than a half-formed idea and a dozen PowerPoint slides.” In the article, venture capitalist Alan Patricof brought attention to what the author calls the “irrational exuberance in later-stage valuations.” Despite the fact that valuations for many companies in the online technology industry have increased across the board, Mr. Beim firmly believes that some of the current internet stars, including LinkedIn, Facebook, Zynga and others, may merit or soon grow into their current valuations.

Assessing current valuations of companies like Groupon, Inc., an online company that provides group discounts to consumers shopping for goods and services via the Internet, The Economist pointed out an interesting fact. Surprising many venture capitalists, Groupon turned down an offer from Google involving $6 billion in investment capital, a move that led many to believe Groupon’s founders were wary about the firm’s future earning potential. Proving detractors wrong, Groupon continues to maintain its status as a profitable endeavor, although competitors such as LivingSocial are quickly overtaking a segment of Groupon’s market share.

Offering his perspective in the article, Nick Beim explained, “Today’s entrepreneurs…have a deeper understanding of the industries they are trying to transform.” By employing the expertise of individuals who hold considerable knowledge about advertising, media applications, financial services, and business, as well as other sectors not directly linked to Internet technology, smart entrepreneurs and investors can undoubtedly create a solid platform from which to build great online companies.

Presently, Nick Beim holds board membership with the Gilt Groupe, Inc., venture-backed by Matrix Partners since 2009. Exhibiting very rapid revenue growth, the Gilt Groupe illustrates the promise of today's crop of social commerce leaders. To read The Economist article, go to tiny.cc/xgo04 online.