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20 Smart Companies to Start Now

Howard Schultz, Steve Case, Vinod Khosla, and other major investors are sharing their best startup ideas. And they're willing to give a collective \$100 million to the entrepreneurs who can make them happen.

By [Michael V. Copeland](#) and [Susanna Hamner](#), Business 2.0 Magazine.

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(Business 2.0 Magazine) -- Asking venture capitalists for great startup ideas is a little like asking Curt Schilling what pitch he's going to throw next. When we posed the question to dozens of VCs and investors around the country, more than a few indignantly shot back, "Are you out of your mind?"

But after some friendly prodding from our reporters, a surprising number of them couldn't help but start jawing about companies they would love to build - if only the right people could be found to perfect the technologies or the business plans and make them seem possible.

The result is this list of 20 tantalizing business ideas, ranging from a host of new websites and applications to next-generation power sources and a luxury housing development. This isn't small-time thinking, either: These investors -which include some of Silicon Valley's most successful VCs as well as serial entrepreneurs like Steve Case and Howard Schultz are backing their ideas with a collective \$100 million in funding to the entrepreneurs who can get them off the ground.

We don't guarantee you'll land a multimillion-dollar payday or even get your foot in the door. But with the ideas now in your hands, consider yourself halfway there.

The Ultimate iDrive

The Investors: Jonathan Fram, managing partner, and Howard Schultz, co-founder, Maveron

What they've backed: Cranium, Eos Airlines, GameLogic

What they want now: A driver's tech fantasy fully realized: an in-dash computer with a keyboard built into the steering wheel and a full-screen heads-up display projected on the windshield.

It's not fantasy at all, actually. The technology behind the system that Fram and [Starbucks \(Charts\)](#) founder Schultz envision - laser or cathode-ray tubes that convert pixels into projected light - was invented for jet fighters more than 30 years ago, allowing pilots to read cockpit data without taking their eyes off the sky. Commercial pilots now rely on it, and automakers have experimented with in-car displays that flash data like speed and RPM in a corner of the windshield.

Fram, a former [IBM \(Charts\)](#) computer design engineer, wants to invest in a startup that can take the concept to the next level, since carmakers, he says, have been too slow and risk-averse to push technology that has obvious safety implications.

A key advantage of projected displays is that they don't distract drivers' attention nearly as much as cell phones or dashboard controls. They create the illusion that they're floating 15 feet in front of the vehicle - and a [GM \(Charts\)](#) study has shown that eyes can refocus much faster when they're switching between the road and a projected display than when they're toggling back and forth between the road and the dashboard.

"This way," Fram says, "you can stare straight ahead with hands on the wheel to drive and check e-mail at the same time. That's vastly safer than drivers looking down and taking one or both hands off the wheel to play with their BlackBerry." Adding voice-to-text features, he adds, would also help ensure safety. It's up to a startup team, of course, to make that a convincing case.

What they'll invest: \$5 million for a deeply qualified 20-person team to deliver a prototype and a plan for pitching a commercial version to automakers within three years

Send your pitch to: jfram@maveron.com. -- S.H.

A Flyweight Database

The Investor: Tim Draper, founder and managing director, Draper Fisher Jurvetson

What he's backed: Hotmail, Overture, Skype

What he wants now: A new database company. Don't yawn. Draper loves startups that can upend corporate giants with simple products and cheap technology.

[Oracle \(Charts\)](#), IBM, and [Microsoft \(Charts\)](#) have had a stranglehold on the \$13.8 billion database business for more than a decade, and while newer players like MySQL are making a dent, Draper thinks there's an opening for a startup that can deliver most of the benefits of standard Big Blue products without millions of lines of code or an army of consultants and IT managers. "I'm not sure yet what this company would look like," Draper says, "but it would not have the technology baggage of the entrenched monopolists. If it can penetrate the market cleverly like we did with Hotmail and Skype, it might not take that much funding."

What he'll invest: \$3 million for a working application

Send your pitch to: karen@dfj.com -- M.V.C.

The New Power Play

The Investor: Elon Musk, co-founder, PayPal

What he's backed: SpaceX, Tesla Motors

What he wants now: As Musk's two most recent investments - in a space rocket and an all-electric sports car - suggest, the 35-year-old entrepreneur likes to think big. So he's intrigued by the promise of a next-generation battery called an ultracapacitor, capable of powering everything from cars to tractors. Unlike chemical batteries, ultracapacitors store energy as an electrical field between a pair of conducting plates. Theoretically, they can be charged in less than a second rather than hours, be recharged repeatedly without sacrificing performance, and far outlast anything now on the market.

"I am convinced that the long-term solution to our energy needs lies with capacitors," Musk says. "You can't beat them for power, and they kick ass on any chemical battery."

Musk would know: He was doing Ph.D. work at Stanford on high-energy capacitors before he helped get PayPal off the ground. At least one startup, EESstor in Texas, and a larger company, Maxwell Technologies in California, are working on ultracapacitors. Yet Musk believes a university-based research group has an equal shot at a commercial breakthrough, since universities are where the most promising research is bubbling up. "The challenge is one of materials science, not money," Musk says.

The team to pull this off, he says, would need expertise in materials science, applied physics, and manufacturing. Musk wants to see a prototype that can power something small, like a boom box. "Make one and show me that it works," Musk says. "Then tell me what's wrong with it and how it can be fixed."

What he'll invest: \$4 million over two years for a working prototype

Send your pitch to: mbb@spacex.com. -- M.V.C.

A Better Energizer

The Investors: Samir Kaul and Vinod Khosla, partners, Khosla Ventures

What they've backed: BCI, Codon Devices, iSkoot

What they want now: Khosla, a legendary Silicon Valley VC whose winners have included Juniper Networks and Redback Networks, and Kaul are looking for an engineering team to build a lithium-ion battery with five times the life of anything found in cell phones, PDAs, or cameras. Matsushita and Sanyo are pushing the limits on lithium-ion cells, as are a couple of promising startups. But as with ultracapacitors, Khosla and Kaul think the right inventor will come from an academic lab. "We see research that proves it's attainable," Kaul says. "This is not a flying car. If it was, I'd ask for 20 times."

What they'll invest: \$2 million for a 10- to 15-person team to show proof of concept

Send your pitch to: cj@khoslaventures.com. -- S.H.

Spreadsheets That Truly Excel

The Investor: Amanda Reed, partner, Palomar Ventures

What she's backed: Attensity, Edgewater Networks

What she wants now: A Web-based platform to make company spreadsheets--for revenue forecasting and other analytical chores - more easily viewed, updated, and shared by managers. Many small-business execs still rely on e-mailing Excel files around the office to share data forecasts. Software apps like NetSuite import data but not the formulas embedded in spreadsheets.

What she'll invest: \$5 million for a team of five engineers to create a prototype in less than two years

Send your pitch to: businessplans@palomarventures.com. -- S.H.

Patient Monitoring to Go

The Investor: Corey Mulloy, general partner, Highland Capital Partners

What he's backed: AccentCare, Archemix, Yoga Works

What he wants now: An engineering team to design implantable wireless devices capable of 24/7 patient and data monitoring for conditions such as heart disease and diabetes.

Companies like Medtronic and Boston Scientific have multibillion-dollar R&D pipelines for medical devices but are increasingly finding it cheaper to simply acquire early-stage companies--so a startup need only get a product to an early testing stage, and can then let a bigger player worry about taking it commercial. Mulloy considers implantable hardware an ideal target market, since it can exploit recent advances in low-power wireless chipsets, materials, and microelectromechanical systems, or MEMS. A device designed to monitor a diabetic patient, for instance, might trigger a bedside alarm for spikes in blood sugar levels, send continuous data to a doctor, or both.

"HMOs are looking for ways to proactively manage individual diseases like congestive heart failure and diabetes," Mulloy says. "These kinds of devices take us toward that."

What he'll invest: \$10 million over three years for a functioning prototype, software to manage wireless data, and early-stage trials

Send your pitch to: lmontilla@hcp.com. -- M.V.C.

New Tricks for Old Drugs

The Investor: Kate Mitchell, managing director, BA Venture Partners

What she's backed: Acusphere, Cogency Software, Wayport

What she wants now: A team of researchers that can identify, patent, and market new uses for prescription drugs with expiring patents. The typical drug discovery process at a large pharmaceutical company can last 15 years and cost \$500 million. But "repurposed drugs"--already approved by the FDA for safety in treating specific illnesses--can be turned around quickly and cheaply and used to treat other maladies. Typically the process can occur in as little as three years, with a cost that Mitchell says tops out at about \$150 million after clinical trials.

BA recently closed venture deals worth more than \$25 million for three startups that are selling such repurposed drugs. One is taking drugs originally aimed at depression and using them to treat insomnia. Another has hit on a treatment for obesity with a medication traditionally prescribed for people suffering from seizures.

But Mitchell is convinced that dozens, perhaps hundreds, more drugs are waiting to be repurposed and turned into blockbusters. "These are virtual drug companies, some with as few as six people," she says. Finding the right people, of course, is key. Major drug companies typically don't bother doing further research on drugs with expiring patents. But many doctors and university

researchers do. So identifying those specializing in a given therapy or condition would be a starting point. Acquiring a patent or some other type of intellectual property protection is another prerequisite for a business plan. "Without that, it's a nonstarter," Mitchell says.

What she'll invest: \$10 million over two years for preclinical research and trials

Send your pitch to: bavpbusinessplan@bankofamerica.com. -- M.V.C.

Search for the Small Screen

The Investor: Danny Rimer, general partner, Index Ventures

What he's backed: Last.fm, MySQL, Skype, Tellme

What he wants now: Delivery of new types of Web search to mobile phones. Google, Microsoft, and Yahoo are all taking a swipe at this, but Rimer believes they're betting on a losing strategy by simply shrinking their existing desktop features into a handheld package. He says he's willing to invest in new search applications that, for example, depend as much on voice recognition as on text input and would offer up everything from shopping and news headlines to driving directions and restaurant reviews with a few voice commands and keystrokes.

"The form factor, the battery life, the way you interact with a phone is radically different from how you use a PC," Rimer says. "The large Internet companies are simply taking their PC-centric, text-based solutions and porting them to phones. That's not the right solution, and I just don't think they come from the right context to do this the way it needs to be done."

Like many of the startups he funds at Geneva-based Index Ventures, Rimer expects this one to make heavy use of open-source software to hold down development costs. An ideal founding team, he says, would be no more than four or five people and should have a prototype ready before sending him a business plan. And don't bring up the matter of a financial exit. "That will get the door slammed on you," he says.

What he'll invest: \$2 million for a working demo application

Send your pitch to: danny@indexventures.com. -- M.V.C.

GPS-Guided Coupons

The Investor: Jeff Crowe, general partner, Norwest Venture Partners

What he's backed: Jigsaw, Nano-Tex, Telcontar

What he wants now: GPS-enabled ads and coupons piped to your mobile phone at just the right time and place. Location-based marketing is a concept that's been bandied about for years, but only now is the required technology becoming cheap enough to implement. Companies like Yahoo and Google, meanwhile, have proven inept at building quality services for wireless carriers. Though the timing is ideal for a startup to build the technical pieces, persuading customers to sign up for a steady barrage of marketing offers may prove the bigger challenge. "The behavioral piece is the biggest uncertainty, but you've got to make your bets now," Crowe says. A startup needs experience in lightweight applications for cell phones and in location-based services.

What he'll invest: \$3 million for a demo application and retail partners ready to test

Send your pitch to: bizplans@nvp.com. -- M.V.C.

Text Ads on the Fly

The Investor: Charles Moldow, venture partner, Foundation Capital

What his firm's backed: CarsDirect.com, Netflix, Simply Hired

What he wants now: Text-messaging software that allows local merchants to send offers to mobile phones. Some companies already do this in basic form; Moldow's idea would give merchants more control. "This is bringing the blue-light special to your phone," he says. Five or so people could write the code; a sales demon is also needed to enlist merchants. Prove that you can pull this off in one city and Moldow will listen to an expansion plan.

What he'll invest: \$5 million for working technology

Send your pitch to: cmoldow@foundationcapital.com. -- M.V.C.

The eBay of Product Placement

The Investor: Roger Lee, general partner, Battery Ventures

What he's backed: Peerflix, PrimeRevenue, Spot Runner

What he wants now: An online marketplace that automates the sale of product placement for Hollywood studios. Product placement in movies and TV shows has been around for decades, of course, but whether it's BMW buying into James Bond or Pottery Barn placing furniture in a sitcom, there's still no efficient way for brand managers to see what's available and buy on the spot.

Lee, a co-founder of application-hosting company Corio, is prospecting for a team to develop an online auction site that would aggregate product-placement opportunities and put them in front of advertisers the instant they emerge - often when scripts are finalized by writers and producers. To augment the service, Lee says, the startup might also measure the results by tracking viewership or box-office figures against the resulting sales of the product that was placed. "There are opportunities for dozens of product placements in every show," Lee says. "The studios and writers just need the right vehicle for selling them."

The biggest challenges for such a startup--as many failed business-to-business marketplace founders will tell you--would be seeding the site with enough inventory to get the big brand managers interested in the first place and then creating a big enough market to keep both the buyers and sellers coming back for more. That's why Lee would want to see commitments from both studios and a handful of top ad agencies before moving ahead. "The good news is that television advertising is already a \$50 billion-a-year business," Lee says. "You don't need a huge share to move the needle on a startup like this."

What he'll invest: \$6 million to get the auction site developed and running in 18 months

Send your pitch to: rlee@battery.com. -- M.V.C.

Helping Vlogs to Flog

The Investor: Steve Krausz, general partner, U.S. Venture Partners

What he's backed: PodTech Network, Verity, Vontu

What he wants now: A matchmaking site that brings new forms of advertising to one of the Web's fastest-growing new phenomena, the video blog. Popular vlog Rocketboom got the concept off the ground earlier this year by auctioning off 15-second house-produced ads at the end of its Web newscasts; then-host Amanda Congdon also wore T-shirts from startups eager for exposure.

Krausz wants a startup that can offer a clearinghouse of placement opportunities from major advertisers like [Apple \(Charts\)](#) and [Nike \(Charts\)](#) - from 10-second trailers to insertion of products in the creative. Videos would be subject to screening and approval by the advertiser, but Krausz thinks that's a service that could eventually be outsourced. Payment to vloggers could be negotiated any number of ways: They could receive fees based on impressions, click-throughs, or both. The startup, of course, would take a healthy cut. "It would allow this explosion of user-generated content to get an additional revenue stream," Krausz says. "Nothing like this exists yet."

What he'll invest: \$2 million for a proof-of-concept site and sign-on from a handful of top advertisers

Send your pitch to: steve.k@usvp.com. -- S.H.

The Social Marketplace

The Investor: Jim Breyer, partner, Accel Partners

What he's backed: Brightcove, Facebook, Prosper

What he wants now: Social-networking sites may be sprouting like weeds, but none yet operates as a bona fide marketplace, with members buying and selling their own creations as much as they blog, link, and post. Breyer, who sits on Wal-Mart's board, is interested in backing an international network for indie artists, musicians, filmmakers, authors, designers, and other creative types from dozens of countries.

Ideally, the site would have the download and payment features to create what he calls a "micromarket" for members' wares. "There might be a Chinese student filmmaker with a five-minute film who wants to reach a niche of U.S. users," Breyer says. "He could find people willing to buy his films, and maybe a producer willing to bankroll more." Transaction fees would supplement ad revenue.

Breyer wants a five- to 10-person team to build a prototype using a peer-to-peer structure that would reduce bandwidth costs, and to identify core groups of users that would get traffic moving to the site.

What he'll invest: \$10 million

Send your pitch to: jbreyer@accel.com. -- S.H.

A Matchmaker for Mashups

The Investor: Todd Dages, general partner, Spark Capital

What he's backed: Akamai, Qtera, Veoh Networks

What he wants now: A Web-based service that allows users to combine their own videos with a library of licensable clips and music to create video mashups online. Want to create a cameo for yourself in Glengarry Glen Ross? Have your boss stand in for Lumbergh in Office Space? That's at the core of Dages's idea.

He sees two main tasks for a startup. First is building a video-editing program that's as easy to use with a browser as iMovie is with a Mac. Second is inking enough licensing deals to create a video library big enough to get the concept off the ground. "Digital content is starting to be treated like intellectual property exchanges," Dages says. "Studios have all this content that they would love to monetize- this helps them do that."

What he'll invest: \$4 million for a working site and editing software

Send your pitch to: spark@sparkcapital.com -- M.V.C.

Luxury Living on a Budget

The Investors: Donn Davis, president, and Steve Case, founder, Revolution

What they've backed: Exclusive Resorts, Flexcar, Miraval

What they want now: A design scheme for a community of affordable new homes, packed with luxury amenities and based on green values. This is yet another baby-boomer play, but AOL co-founder Case and partner Davis - who helped bring fractional ownership to the ultraluxury-home market with Exclusive Resorts - don't think builders like [KB Home \(Charts\)](#) and [Pulte Homes \(Charts\)](#) have all the angles covered.

Sustainable living and "wellness" lifestyles are big draws among retiring boomers. But so is price, Davis says, as more and more people worry about shrinking retirement incomes.

That's why he'd like to see a development based on more modest homes inside a community that offers an eclectic mix of perks--a spa, yoga classes, a community garden, room service, and so on. Revolution is looking for a small team to identify the developable land, map out home architecture and design, and assemble the right mix of services.

"It's about lots of services, lots of amenities, lots of convenience," Davis says. The plan ought to consider not only location options but also different sales models: Homeowners should be able to choose among full or fractional ownership and different levels of property management, perhaps even taking part in selling the community's services to outsiders.

What they'll invest: \$5 million for the right plan

Send your pitch to: tigesavage@revolution.com. -- M.V.C.

Trip Planning 2.0

The Investor: Mike Kwatinetz, founding general partner, Azure Capital Partners

What he's backed: Knowledge Adventure, OQO, VMware

What he wants now: Concierge-grade trip planning over the Web. Imagine getting a message on your BlackBerry alerting you that your villa is booked, dinner reservations are confirmed, and a driver will pick you up in an hour for the flight to Belize. It's not live agents making that happen, but software that taps into the growing number of travel-industry databases - of hotel chains, restaurants, limo services, amusement parks - to assemble smarter, more personalized itineraries than can be found on major travel hubs like Orbitz and Travelocity.

What he'll invest: \$5 million to create a working prototype within two years

Send your pitch to: mike.kwatinetz@azurecap.com. -- M.V.C.

Clean, Green Office Space

The Investor: David Kirkpatrick, co-founder, SJF Ventures

What he's backed: Evco Research, Salvage Direct

What he wants now: An enviro-friendly office-maintenance service. Most businesses hire different vendors for recycling, janitorial, and supply services. Kirkpatrick thinks a startup can cobble them together in a tidy green package for clients willing to pay a premium not just for the convenience but for a stamp of eco-approval to tout to employees and customers. Buying a handful of small vendors in a specific region would be the starting point. "Roll-ups in this industry have often been good investments," Kirkpatrick says.

What he'll invest: \$1 million for a plan that spells out the acquisition strategy

Send your pitch to: deals@sjfund.com. -- S.H.

A Weapon Against Superbugs

The Investor: Bill Ericson, general partner, Mohr Davidow Ventures

What he's backed: ParAllele BioScience, Pharmix, Sabrix

What he wants now: A device that can identify new types of hospital-borne infections in just a few hours. Two decades ago hospital-acquired infections were rare, but a series of "superbugs" have since evolved that fend off most antibiotics; roughly 1.7 million Americans a year contract infections during hospital visits, and 99,000 of them die.

Standard procedure for dealing with hospital-borne infections is to order a culture and then blast the patient with antibiotics for up to a week while doctors await test results.

Ericson, who's spent a decade investing in life sciences and software, thinks a solution lies in the emerging discipline of molecular diagnostics, which uses mass spectrometry and so-called gene chips to allow infinitely more detailed views of genetic material. Ericson sees the technology leading to a kind of forensic DNA lab for hospitals, where staffers scan a sample in an hour or two and determine the strain. "I want a device that can identify the pathogen, tell me what it is resistant to, and do it in a matter of hours," he says.

Ericson is not looking for a finished prototype but expects proof of the device's potential. "Anything in biology is unpredictable," he says. "But you need to come out of a two-year period with a clear demonstration of principle."

What he'll invest: \$10 million for patent-protected research

Send your pitch to: bericson@mdv.com. -- M.V.C.

Optimized Sales for the Little Guy

The Investor: James Slavet, partner, Greylock Partners

What his firm's backed: Digg, Evite, Facebook

What he wants now: A Web-based service that helps small online publishers choose the most profitable way to sell their ad inventory - whether that's direct sales, Google's or Yahoo's ad networks, or other channels. Large digital-media consulting firms like Aquantive already provide this service for big clients; what's lacking is a nonproprietary service that can do it for smaller players. "Unless you're one of the larger sites," Slavet says, "you've either got nothing to help you or some hacked-together system that isn't efficient at all."

Yet the capability exists, Slavet says, to monitor ad revenue across a variety of sites and recommend the right sales approach for a specific category. Slavet wants a leader from a top ad network to head up the effort and a technical team that has experience building ad-optimization systems. Since pricing would be based on a percentage of additional revenue, Slavet expects some proof that your system can generate it.

What he'll invest: \$3 million over two years for an operating startup with a handful of beta clients

Send your pitch to: jslavet@greylock.com -- M.V.C.

The Next Massively Entertaining Idea

The Investor: Bill Gurley, general partner, Benchmark Capital

What he's backed: Linden Lab, Shopping.com, Zillow.com

What he wants now: The next massively multiplayer online hit, whether it's built around a core game like World of Warcraft or a virtual community like Neopets. "Anything," Gurley says, "where people are entertained massively together." Benchmark has placed some big bets in the MMO sector, including Linden Lab, maker of Second Life, and Sulake, which runs Habbo Hotel, a game site geared for teens. "I think we're far from finished in this space," Gurley says. "There is a lot of room for new ideas going after different areas of interest."

Gurley will not hazard a guess on what demographic could be ripe for the next MMO hit. "These things are like catching lightning in a bottle," he says. "There's an element of game design and social curiosity that you have to get just right."

What he'll invest: \$5 million for a working game or site that shows MMO growth potential. "It's so hard to predict what will take off," Gurley says, "that it's easier to pay more for something that's further along."


Send your pitch to: bgurley@benchmark.com. -- M.V.C. ■

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