

Interview with Jennifer Fonstad, Managing Director, Draper Fisher Jurvetson

By establishing a global network of partner funds the US-headquartered venture capital firm Draper Fisher Jurvetson (DFJ) extended its presence far beyond North America. Jennifer Fonstad, Managing Director at the DFJ-office in Menlo Park (California), speaks about building a global venture capital network, the evolution of nanotechnology and three areas of innovation which look very promising to invest in.

VC Magazin: You have been with DFJ for over ten years. How has your work changed over that period of time?

Fonstad: When I joined the firm we had a partner fund in Utah and a partner fund in Alaska. The notion of network based venture capital was just emerging. Today we have partner funds all over the world, including regions like Vietnam, China, Russia, and Israel, along with Western Europe. We are also continuing to grow among thematic lines like clean energy and life sciences. Companies that emerged from the early days of the internet like Google democratized information and that enabled entrepreneurs all over the world to recognize that they can take that chance to start a company. That sparked more companies globally, which has made network based relationships for venture even more critical. So today with our model we can serve each of these entrepreneurs very well by having a local venture capitalist, who can meet at a corner café for a Latte. But they can also network into DFJ all over the world, so if that entrepreneur needs access to Samsung in Korea or Huawei in China we can relate to partners in these locations.

VC Magazin: Do you expect other venture capitalists to follow your model?

Fonstad: The venture business is institutionalizing itself and in order to make young companies successful you need to have that local presence and you need to have that global access. Other venture firms have started to generally follow suit.

VC Magazin: Are you trying to standardize the way your network partners work?

Fonstad: Each partnership is a separate one with its own fund being raised by the local partner. Certainly we share best practices so that local firms can benefit from the network and typically one of us sits on the investment committee with each partner fund. But ultimately the decision process is locally managed.

VC Magazin: In February 2005 you wrote a rather optimistic article about nanotechnology, which can be found on your website. What is your view on nanotechnology today?

Fonstad: Nanotechnology is an umbrella concept about manipulating at the atomic level. What we are seeing today is that nanotechnology has penetrated into the respective vertical domains. We are working primarily with companies in each of these domains, for example finding nanotechnology deep in the semiconductor space on the chip side – companies like Nantero or Zettacore – as well as on the tool side like Molecular Imprints. Those are really the future enablers for the semiconductor industry. We also see nanotechnology playing an important part in materials both in semiconductors as well as in clean energy with companies like Intematix or Accelergy. We tend to talk a little less about nanotechnology because it is so deeply embedded now in each of these industries.



Headquarters of Draper Fisher Jurvetson, Sand Hill Road, Menlo Park, California

VC Magazin: Do you expect nanotechnology in life sciences to play an increasing role in the next couple of years?

Fonstad: We do see nanotech play an increasing role primarily on the material side, for example in medical devices. We have an investment in a company called Apieron Biosystems which has developed a sensor that detects nitric oxide which tends to be a predictive for the onset of an asthmatic attack.

VC Magazin: Many VC firms have been betting on web 2.0 and cleantech recently. Is there a bubble coming up again?

Fonstad: Well, with oil prices hitting a new high, unemployment being at the highest rate since 1986 and the dollar at a near low I do not think we are seeing a bubble in any sector at the moment. There has been a surge of interest in certain areas like cleantech, some of which has been driven by significant innovations in materials. Solar panels have been traditionally stuck at a certain level of efficiency, but a number of these material and systems innovations bring with them a potential for step-ups in efficiency. One could argue that cleantech is an area that has been significantly underinvested over the last fifty years and is just recently getting some attention. I don't think we have even begun to scratch the surface with respect to catching up with some of the underfunding in these areas. An exciting part is that we are starting to see some great breakthroughs in solar, water management, biofuels, and frankly all across scarce resource management.

VC Magazin: What is your view on the convergence of internet, telephone and television?

Fonstad: We continue to invest in that area as well. We are starting to see some interesting mobile applications that take advantage of information that was traditionally hard to get on a mobile device. Those include television, GPS-based services, social networking capabilities and marrying social networking capabilities with GPS, so you know which bar your friends are at for example. I don't think that trend will go away. It has been driven both on the hardware side by improved chipsets as well as batteries, which are both key components, because these applications need a lot more energy and speed.

VC Magazin: Do you think people will be willing to pay for location based services?

Fonstad: I think we will pay for some services. Initially it is the must-haves versus the nice-to-haves and those will be different by different demographics. Young teenagers will view social networking with their friends as a must-have. If you offer services properly priced at 5.99 or 9.99 a month they become a viable business model.

VC Magazin: What is the best thing about being a venture capitalist?

Fonstad: The best thing is working with great entrepreneurs and watching their vision come true. It can sometimes be a long road, but it is a real honor to work with those folks.

“Young teenagers will view social networking with their friends as a must-have”



Jennifer Fonstad

I funded a start-up, Athenahealth, with two entrepreneurs nine years ago that became a public billion dollar company. It was really exciting to work with them in the early stages and watch their vision become a reality.

VC Magazin: Which could be the next big sectors for venture capital investing?

Fonstad: I think there are three exciting areas: One is in clean energy, where the next big constraints will be about water and water resources and how we access and produce clean water. There will be many opportunities around this area. On the technology side there are many opportunities in the shift of communication. Today we communicate via words spoken, audio, textual and sometimes visual means. Most activities still remain around audio and textual communications. How to communicate and share information and ideas visually will move more and more into focus. On the healthcare side the notion of personalized medicine, how each body responds to a particular medication or environmental hazard, will play an increasingly important role. Doctors treat us almost all relatively the same with prehistoric tools. We will continue to see these tools to get more and more sophisticated and personalized as we are able to learn and detect how individuals respond to certain treatments.

VC Magazin: Thank you for this interview! ■

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The interview partner

Jennifer Fonstad is a Managing Director at Draper Fisher Jurvetson, having joined the firm in 1997. Her investments include a broad variety of sectors such as internet services, wireless networks, medical devices, cleantech, and nanotechnology. With own offices and partner funds in more than 30 cities around the world as well as capital commitments of approximately 5.5 billion USD the Silicon Valley headquartered firm is often recognized as the most global venture capitalist on this planet.