



Stanford eCorner

2004: Start of an Era of Optimism

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Winblad talks about how in 2001, there was a challenge finding consumers for software products and costs had to be cut. Now, demand is improving and CIO's are looking for larger revenue opportunities, she says.



Transcript

We can all talk about what we can do with the software but ultimately, one of the challenges in 2001 was hey, who's going to buy it? 2001 was a really tough year for companies and a lot of companies died for lack of oxygen. There was no one there to buy the product. CIOs were asked to go back to say what cost can we take out of the system. It was a big year for throwing out some servers and putting in Linux boxes. That's all done. But now CIOs are back and saying okay, we're not trying to lower our total cost of ownership anymore, we're trying to create more revenue opportunities one more time and we're trying to make this stuff secure, manageable and scalable as we look ahead. So demand is improving. Young companies are getting real customers and that includes not just the enterprise customers but consumer customers and one new segment which is always considered kind of a shaky segment. You've all met Bill Campbell or most of you had who started a little company called Intuit but you can think of a lot of other companies that have done well in the small and medium business area. On-demand computing is changing that dramatically.

How do companies' sales force get started? With small and medium customers. We have a customer called Intact which has outsourced accounting applications. We have a customer called Employees in Atlanta that does outsource benefits management. All those companies started with little companies that could just get on the website versus having to bring in a lot of computing infrastructure, handle all the management of computing. They could just run software as a utility and gradually move up the food chain and as you know, the sales force is closing some large companies. So early stage venture capital is at a really stable bottom which means it's a great inflection point to start a company. The demand curve is there, massive changes in technology adoption, new architectures. I haven't even mentioned web services and if that's real or not. Incumbent is pretty busy with a lot of old stuff and serving the customer there. A lot of M&A activity taking things off the market map leaving lots of holes.

So it is a great time to start a company, a great time for us to invest, especially at the seed level and the best time to be an optimist, not a fool but an optimist.