



Stanford eCorner

Invest in What You Know

Cindy Padnos, *Illuminate Ventures*

February 13, 2013

Video URL: <http://ecorner.stanford.edu/videos/3089/Invest-in-What-You-Know>

Enterprise business buyers fundamentally demand choice, says Cindy Padnos, managing partner of ILLUMINATE Ventures. According to Padnos, this insight, along with thorough data, support her firm's passion for focusing on investments in enterprise software and cloud computing, instead of in the consumer internet space.



Transcript

So, enterprise it turns out in the cloud world is actually about 25% larger and growing faster than the consumer internet world. So, it's big, it's fast-growing and up until recently it's been pretty well overlooked. Even in Q3 of last year which is when the most current data that's available was released, the most current data we have is, investment in the consumer internet was still at twice that of the enterprise cloud, okay. So, while the talk is starting to coalesce around enterprise, the actual investment on the venture side isn't there yet. So, that's one piece of it. The other is we did a huge amount of data gathering, I don't want to say research because we did a little bit of research and a lot of data gathering about a year ago and then we updated it back in September of last year around what's the actual performance of enterprise cloud investments versus consumer internet investments. And this next slide here shows you what the result of that assessment was. We were fortunate to be able to share this pretty broadly on peHUB a few weeks ago so you could look at our article there if you like. But what we found was that in both IPO and M&A that enterprise investments were dramatically outperforming consumer. And there are a variety of reasons for it that are really straightforward when you sit back and think about it.

If you understand what it takes to have a big success in the consumer internet world, you understand that there's usually only one of them. There's one Facebook, there's one Zinga and even though these companies have suffered post IPOs to some extent, there really is still only one of each of those. If you look at the business world, business buyers fundamentally demand choice and so there's always going to be more than one ERP software company or more than one log analytics company or more than one you name it. And while I would always like to be the investor and the market leader, even if I am an investor in one of those other categories, we're likely to do pretty well. When I was - early in my career I was VP of marketing of Scopus Technology, one of the early CRM players. In the year that we went public six other CRM companies went public, Vantiv, Clarify, Orum, all of us had really nice outcomes for our investors. And so, I am not going to walk away from enterprise. I think if you're doing early stage investing you have to invest in what you know. This is what we know and we know it deeply and we know it outperforms.