Tech start-ups embrace stiff competition for cash
Eugene entrepreneurs go further afield to profit from their ideas

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On Friday, two Eugene-based technology start-ups will take the stage at the Bend Venture Conference to try to convince a group of 30 investors that these small firms have the most promising business idea in the room.

The stakes are high: The winner will take home $100,000 in seed money.

The two local competitors are Floragenex, a spin-out of lab research at the University of Oregon that has developed a faster, cheaper way to conduct genetic mapping of plants and animals. The other is OsoEco, founded by two Eugene businesswomen. OsoEco is a sustainable social shopping Web site (think e-commerce meets a social networking site, such as MySpace).

Both companies are furiously trying to raise more than $1 million each to take their ideas to market.

So winning a venture competition with a sizeable investment fund could be a significant step for either of them.

The investment fund “is really important because it’s sort of their base funding to get going,” said Susan Nabbefeld, Bend Venture Conference marketing director.

Local entrepreneurs have long complained that it’s tougher to raise cash in Oregon than in states with bigger metro areas, such as Seattle or Silicon Valley.

“There’s always more capital in the larger markets like Seattle or San Francisco, or even Portland,” said Chris Nystrom, director of the Lane Venture Forum, a program of the Eugene Area Chamber of Commerce that gives early-stage companies an audience with local investors. Floragenex presented at the venture forum, and OsoEco recently applied, Nystrom said.

But fledgling companies often just aren’t developed enough to interest investors, said Nystrom and Jon Broome, who has seen many early business plans as director of the Centers for Hi-Tech Innovation at Lane Community College.

“I run into a lot of people who think they have a good idea,” Broome said, “but the idea is full of holes, or isn’t researched enough.”

Broome said he thinks venture forums are worthwhile even for the entrepreneurs who don’t win funding because they’ll be asked the tough questions that help them improve
their business plans. Business owners also can make key investment contacts that they can use later when their business ideas are further along.

“The main thing I hope to get from the Bend Venture Conference is exposure to a wide range of seed venture investors,” said Nathan Lillegard, co-founder of Floragenex.

The company has raised $100,000 in equity capital, after initial help from a $30,000 small business development loan from the city of Eugene, he said. It is seeking $1.5 million more by mid-2008.

Floragenex is one of four companies that have been invited to give a 10-minute business plan presentation, followed by 10 minutes of questions and answers. Any of the investors, or anyone in the 300-person audience, can ask a question, Nabbefeld said.

The other three competitors are a Portland software company that has developed a platform for professional and broadcast video applications, a Bend company that has developed software to drive advertising to mobile phones, and a Seattle manufacturer of organic baking kits for kids.

The founders of OsoEco, the other Eugene start-up, will have to jump through an extra hoop. As one of 10 “wild card” candidates, the Web company has just one minute to try to persuade the entire audience to let it compete as a fifth entry against the group of four, which includes Floragenex. If selected, OsoEco would give a 10 minute presentation, followed by 10 minutes of Q&A.

Other wild card candidates include a green outdoor gear manufacturer based in West Linn, a medical device manufacturer in Hillsboro, and a company in Portland that transforms on-site waste into electricity and organic soil amendments.

Cracking genetic code

Floragenex is the first commercial spin-out from the UO Business School’s technology entrepreneurship program. Founded in 2002, the program teams up a university researcher who has an innovation with potential commercial application with an MBA student and a law student.

Eric Johnson, 39, an assistant professor in biology, had been working for about a year on new technology for genetic mapping before he met Lillegard,32, an MBA student, in 2005.

“I obviously didn’t have time to operate a company,” Johnson said. “So ... we were glad to find each other.”

The company isn’t involved in genetic modification, Johnson said. Rather, it identifies important areas of plant genomes to enhance the natural breeding process.

Floragenex’s work could help growers develop plants that thrive without pesticides and fertilizers, Johnson said. The company’s technology also could identify and
develop varieties that grow best in different regions, helping to support the locally
grown agriculture movement, he said.

One client, a blueberry grower in Florida, for example, hired Floragenex to identify the
variety of blueberry plants it was planning to grow in Chile. It wanted to make sure
that all the plants were of a variety best suited to Chile’s growing conditions.

Floragenex serves clients working with many different plant species, from grain crops
to flowers, Lillegard said.

Large agriculture corporations are investing a lot of money in genetic research of major
crops, such as corn, rice and soybeans. But little genetic mapping has been done on
many other crops, Johnson and Lillegard said.

“Our strategy is to go after all those markets that the agribusiness giants aren’t
interested in,” Lillegard said.

Green shopping

Caroline Cummings, 38, and Katie Wilson-Hamaker, 33, founders of OsoEco, say
they want to clear away the green clutter when it comes to shopping for sustainable
products and services on the Web.

“There’s a lot of confusion about what products are really green,” said CEO
Cummings. The Web site and shopping tool OsoEco is developing would provide a
clearinghouse of information and access to a community of like-minded shoppers to
help sort through companies’ claims of being environmentally and socially
responsible.

Market research shows that sustainable shoppers are an identifiable and sizeable
demographic, Cummings said.

Nationwide, “90 million people want to buy green products, and 70 million don’t
know where to buy them,” she said, citing the 2006 LOHAS Consumer Trends Report
by the The National Marketing Institute.

LOHAS stands for Lifestyles of Health and Sustainability, and those consumers spend
more than $200 billion a year on sustainable goods and services, according to the
report. Another characteristic of that shopper demographic is that 54 percent of them
research products online before they buy them.

Most people like to shop together offline, and “there’s really nowhere to do that
online,” Wilson-Hamaker said.

By December, OsoEco plans to launch a tool that shoppers can take with them as they
browse online. Say a shopper is looking for “green” wine glasses for her wedding.
She narrows it down to two choices, both made with recycled glass. She can grab
images and descriptions of each, and ask her friends — or a wider community of
sustainable shoppers — to vote for the greenest wine glass.
By the end of next year, visitors to OsoEco’s site should be able to buy from OsoEco-approved vendors, which must meet at least half of OsoEco’s standards for environmental and social responsibility, as well as other practices, such as marketing messages, manufacturing methods and workplace conditions. OsoEco’s marketing tag line is “Local. Wherever you are,” so searches would connect shoppers with local vendors first, Cummings said.

OsoEco plans to sign up 200 vendors by August, Wilson-Hamaker said.

The firm has raised almost $400,000, which includes $70,000 invested by the founders. Now it’s seeking an additional $500,000 to enable e-commerce at the site. That will carry OsoEco until August, when it will seek an additional 800,000 to $1 million.

The company projects $14 million in revenues by 2010. That assumes 2 million monthly visitors by the end of 2010, Wilson-Hamaker said. OsoEco will make money through advertising appearing on its site and a percentage of sales from vendors listed on OsoEco’s Web site.

The company leases 2,700 square feet in a downtown office building for its seven employees, including the founders. When revenues hit $500,000, which OsoEco is projecting early next year, the company will hire six to 12 more people, Cummings said.

Cummings, who had led marketing and communications for the global rollout of new technologies at Bristol-Myers Squibb, met Wilson-Hamaker, a sustainable business development consultant, at a sustainability workshop at the UO three years ago.

The pair immediately hit it off and decided to go into business. They said they initially looked for a company to buy, but when they came up empty-handed turned their attention to the social shopping site, an idea they had been tossing around since shortly after they met.