

What Greenstart Partners Does To Grow Clean Tech Start-Ups

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Mitch Lowe, a Partner at Greenstart, talks about how his firm helps clean tech start-ups accelerate their growth and become viable clean energy solution companies.

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Ben Lack:

Why have you and your partners started Greenstart and what problem are you guys ultimately trying to solve?

Mitch Lowe:

We believe energy is the defining problem of our generation. Whether you are looking at it from the environmental perspective, the national security perspective, or the economic perspective, the move away from fossil fuel needs to happen really quickly and the only way to do that is through innovation. Entrepreneurs are definitely the best engine of innovation. That's been proven over the last 100 years. So, what we are really trying to do is nurture that entrepreneurship and accelerate that entrepreneurship. There is a big boost in young entrepreneurs that are interested in clean and green. You see it all over at university campuses, in business plan competitions, when talking at professors at some of the leading universities. There's this pent-up demand to start businesses that make a difference, specifically around energy but at the same time a lot of the early stage funding sources have moved later. They're protecting investments they made 5 or 6 years ago, there's this big feed stage funding gap that exists. So, on one hand you've got this increased demand for energy entrepreneurs and at the same time there's been a decline in the supply of funding available to them. That's one part of the problem. The other part of the problem is that Cleantech today looks a lot like software did in the eighties, where it's new, and you don't have all the entrepreneurs that have been there and done it to create that angel network, to be a first check, somebody on an advisory board, somebody to join a board. If you walked into any coffee shop in Silicon Valley and started talking about mobile or cloud there would be 5 people that would perk their ears up and say: what are you doing? I want to get involved, how can I help? That doesn't exist for Cleantech. So, the entire purpose for Greenstart is to try and solve those problems. We want to create an environment where entrepreneurs can thrive. We want to create an environment where there starts to be a cluster and sort of a center of gravity for early stage Cleantech so that it can feed off of itself and can establish connections and mentors and advisors and funding. So, the primary purpose of starting Greenstart is to try and solve that problem and encourage innovation in an area that needs it really badly.

Ben Lack:

How do you chose which company's to invest and work with?

Mitch Lowe: Yeah we've got an interesting filter, so the first filter is that it either has to expand the use of clean energy or reduce the use of dirty. That could be renewable energies or energy efficiency. The second filter is we want to invest and nurture companies that are doing fast Cleantech, so companies that are hundreds of millions of dollars and are going to take 7 to 10 years to have anything come from it, not our strike zone. We're looking for companies that can have revenue in less than a year and that means that either the business model is such that a new idea can spark revenue that quickly –so maybe that is software, internet, consulting services, those types of things — or it is harder science that they've been working on it for a year or two and they are now ready to commercialize it. In our first batch of companies we have a good mix of both.

Ben Lack: And what's a typical investment level that you'd make on any of these companies?

Mitch Lowe: The four parts of our program are funding, mentoring, resources and connections, and on funding we make a seed investment of between \$25,000 and \$100,000. The purpose of that is to have enough capital for the 3 months that they're in our program and a little bit of time after. The investment is really meant to help them validate their business model. What that means is, is there a good fit for what they are trying to sell with customers that would want to buy it? A lot of first time entrepreneurs are so focused on the product that they don't go out and actually talk to their customers, or who their potential customers might be and they make assumptions that end up being wrong. Rather than have these young companies raise money on the wrong assumptions, we want to take them through a very precise methodology to help them get that business model sound so that subsequent funding, they're now going at it, they're already validated and are being pointed in the right direction. So, our funding is the initial check for 25 to 100K. We then introduce them to other investors throughout our program and then our program culminates with an investor day where they will present to a room full of investors that are interested in what they are doing so they can get more funding.

Ben Lack: And this would happen on day 90?

Mitch Lowe: That's right, it will be December 7 for this program that's going on right now.

Ben Lack: How many groups are you working with at the moment?

Mitch Lowe: We have 4 companies in our first cohort.

Ben Lack: What are the names of these companies and what they are doing?

Mitch Lowe: The first is a company that's developed a very novel technology around biofuels and they're not a biofuel company meaning they're going to manufacture the fuel, but what they've created is some IP that can be a very significant game-changer in how biofuels expand. It has the potential to dramatically reduce the cost of biofuels, specifically biodiesel, and reduce emissions at the same time and it's a technology that's been worked on for more than 10 years, that they've cracked the code, the data's really sound and they are now ready to figure out how to bring it to market. That business is called [Sylvatex](#). The second is a company called [Tenrehte](#) and the product is called Picowatt and it's a smart plug. So, this is for energy management and a way to save money on energy. So, any device can plug into the plug, whether it be a computer or a refrigerator or a TV and then you plug it into the wall and you can control the energy management from your computer. So, you can tell it not to run on certain hours or only run at off-peak hours. They won the CES [Consumer Electronics Show] Best Product in the Green category last

year and they are now ramping up and trying to figure out which markets to stir and best iterate the product. Really bright future. The third is a company called [Smartershade](#), and they've developed some technology that does shading in windows and it's both mechanical engineering and material science. It's a pane of glass with a film on it that goes in between a double paned window that allows you to rotate shading from no shading to full shading, which can have a very dramatic change on energy usage inside the room. They won the Rice Business Plan Competition last year, which is the top business plan competition for Cleantech and clean energy. The fourth is called [Wa.tt](#) and this is going to be a consumer web application and it's meant to help consumers know how to save money on their energy bill. So, it will pull a profile from your utility bill and then show you ways to save energy, but they're going to take it a step further and make it really engaging and fun so there will be competitions and you'll be able to compete against your neighbors or think within a bigger company, the sales department can compete with the marketing department on who can save the most energy in the course of a month and you'll be able to be the "mayor" of Palo Alto for saving the most energy. So, they are trying to make it very engaging, very fun, very game-like and a lot of consumers to save money at the same time.

Ben Lack: When you are looking at companies to invest in, what ultimately is a success story for you when you are working with these folks?

Mitch Lowe: We are trying to give them a better chance of success. I've been a founder of four different companies and it's just so hard to get it right first time and what we are trying to do is provide the mentoring and resources to help them have a better chance of success. So, success looks like if they need to raise more money, they do. Success looks like they start to build out their team and they hire people, but ultimately the success is going to be that their product or service is going to be successful in the market because by definition if it is expanding clean or reducing dirty it's making an impact on the energy issue.

Ben Lack: So, if you're only putting in \$25,000 to \$100,000 at the end of the day, the addition of the mentorship and providing resources and helping them get additional investing for the next type of rounds, how do you create a sustainable model on your \$25,000 to \$100,000 investments?

Mitch Lowe: We'll be investing in over 100 companies in our first 3 years and our goal is to invest in more than 500 companies in our first 10 years, so we want to spark innovation in a lot of young companies. Our business model will be a combination of a micro venture fund and a start-up academy kind of bolted together into one, so we will have a small fund that operates in the same model as any other small venture fund would. In addition, we've got all the components of a start-up academy to provide all the resources and mentoring.

Ben Lack: For start-ups that are looking for those types of services right now, you just gave the example of your 4 companies that are kind of all over the place. They have a biofuel, plug in, software, because those solutions are so broad, how do you bring your expertise and how do you bring other folks to the table to really give these start-ups the type of experience that they need because obviously it's a challenging time for them?

Mitch Lowe: The foundational mentoring that we do is very pragmatic in nature. It's very much: what are you trying to accomplish? How do you find customers? What's the methodology to do that? Most young entrepreneurs, particularly most young science-minded entrepreneurs are very focused on the science, they're very focused on the product and they're ignoring the obvious that's right in front of them which is they need to get out and ask questions and figure out who their initial customer segment is and how do they nail that. How do they make sure

that their product is going to deliver? The specifics of that is going out and identifying potential customer segments and asking questions. Does this solve a problem? How much of a pain point is this? Would you pay for it? How much would you pay for it? Then based on those answers you can start to see what would our own business model be if we did approach this customer segment, what does the product need to do? We can really prioritize what they're focused on and give them a much cleaner path towards how to do that. There's a lot of pieces that come up around that but that's the foundational piece and then the mentoring and resources goes on top of that. We've got 35 mentors right now that are a mix of very successful entrepreneurs who have gone there before and investors who see lots of young companies and can see the common things that go right in early stage companies and the common mistakes that get made. So, if one of our companies is working on hardware and they've got issues around manufacturing or operation or industrial design we've got 4 or 5 mentors that have all done that before and we line them up with them. Then we've got others that are working on software or web-based solutions, we've got 5 or 6 mentors that have done it there and we can line them up with those. So, it's a mix of us and sort of a foundational mentoring that goes on but really gets powered by the 35 mentors that are external to the company. They get involved in work with these companies and so they get a lot of bandwidth behind them and then there's a resource component where it would be really hard for anyone starting up to get a hold of the National Livermore Lab or Berkley or Stanford or the City of San Francisco or the Department of Energy, but all those organizations are working with us to help provide access and availability for the start-up.

Today we've got 2 of our start-ups over at the Livermore Lab getting introduced to some of the scientists that were there, getting access to lab space, being able to work with those guys. The City of San Francisco has offered to test products and be early adopters. So, we can really put together resources and people to give these guys a higher chance of success.

Ben Lack:

That's fantastic. Talk to me a little bit about what you think is the biggest obstacle now that you're knee-deep into it. What's the one thing that's happened that you didn't expect to see with the companies that you're working with, from an obstacle that you have to overcome and then also give me something that you've been pleasantly surprised with as you guys have started going down this path?

Mitch Lowe:

The obstacle I think is that I had forgotten just how difficult it is when you're a first time entrepreneur and you have all of this competing interests and advice that you're getting and asking: should I be spending my time going to conferences or meeting with investors or what should I be doing? There's 1 or 2 or 3 of them and they are trying to build a company. How do they spend their time? Prioritization is a much less developed skill, I would have died if I had remembered but it totally makes sense so there's a lot of low-hanging fruit to work with these companies to help them get pointed in the right direction. There's probably been 2 pleasant surprises: one is we had 130 applications for our first program, so it's highly competitive to get in with only 4 making it. It's harder to get into Greenstart than it is to get into Stanford or Harvard. Many of the companies, we were anticipating that the majority of them would be at the idea stage, so here's a concept for a business but they haven't gone out and done anything, and in fact the majority of the companies had actually gone out and started building companies. The early stage funding environment is so difficult that they won a business plan competition or they raised some money from friends and family and

they went out and they had prototypes, they had a product built, they even had a customer. So, there's a lot of innovation out there, it can't get that next round of funding but it's perfectly suited for us getting involved and helping them line up their business and get to that next round of funding. The second pleasant surprise has just been the reception from organizations all over the country that want to help. I mentioned a few of the universities and municipalities and mentors that want to get involved.

People are compelled to work with start-ups in the first place because the energy is high, the passion is high, they are trying to change the world but in this case there's such a recognition of the severity of the problem that there are a lot of people that want to rally behind and help these young companies have success.

Ben Lack:

Why are you doing what you're doing and why have you chosen to spend your time in this space? What is it about clean energy that really pulls at your passion and why are you wanting to pursue it?

Mitch Lowe:

The 3 partners at Greenstart: Dave Graham, Dillon McDonald and I have all been entrepreneurs since our early twenties and we've had some businesses that have been really successful. We've had some businesses that have been total failures. We've learned a lot in each. We recognize how hard it is to start companies. Now we want to make a difference. Dillon, Dave and I are fortunate. We've had some successes with our entrepreneurial experiences and we're in a position to choose what we want to do next and we were debating what's the biggest problem we could try and solve. We love start-ups. We love working with bright young entrepreneurs and we want to solve a problem or help solve a problem. The problem that just resonated with all 3 of us was energy. There's no bigger one out there and it's so messy in how it's going to get solved. It's clear that the answer is innovation, but how do you accelerate innovation? How do you nurture it? How do you create an ecosystem so that a new industry can thrive? So, it's a perfect mix of things we love, things that we're good at and just audacious enough to keep us waking up once or twice in the middle of the night to make sure we're doing it well. We re-opened for applications on Monday, October 3rd and applications will be open for 6 weeks. Our next program begins January 23rd. If you're a bright young entrepreneur out there and want to do something energy related, apply.



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