



Venture Capital Funding Quarterly

**Internet • Digital Media
eCommerce • Software**

1st Quarter, 2011 – United States

Publisher
[VentureDeal](#)

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Summary

During the first quarter of 2011, 364 companies in the Internet, Digital Media, eCommerce and Software sectors raised \$4.8 billion in venture capital funding in the aggregate, up 85% in total funding amount versus Q4 10 and up 4% in the number of companies funded. Facebook accounted for \$2 billion of the total financing during the quarter.

Of the four sectors, only Software showed a decrease in both funding amounts and number of companies funded. Internet, Digital Media and eCommerce sectors showed an increase in funding amounts, with a healthy 169%, 5% and 265% jump in venture capital dollars into those sectors respectively.

Funding Activity

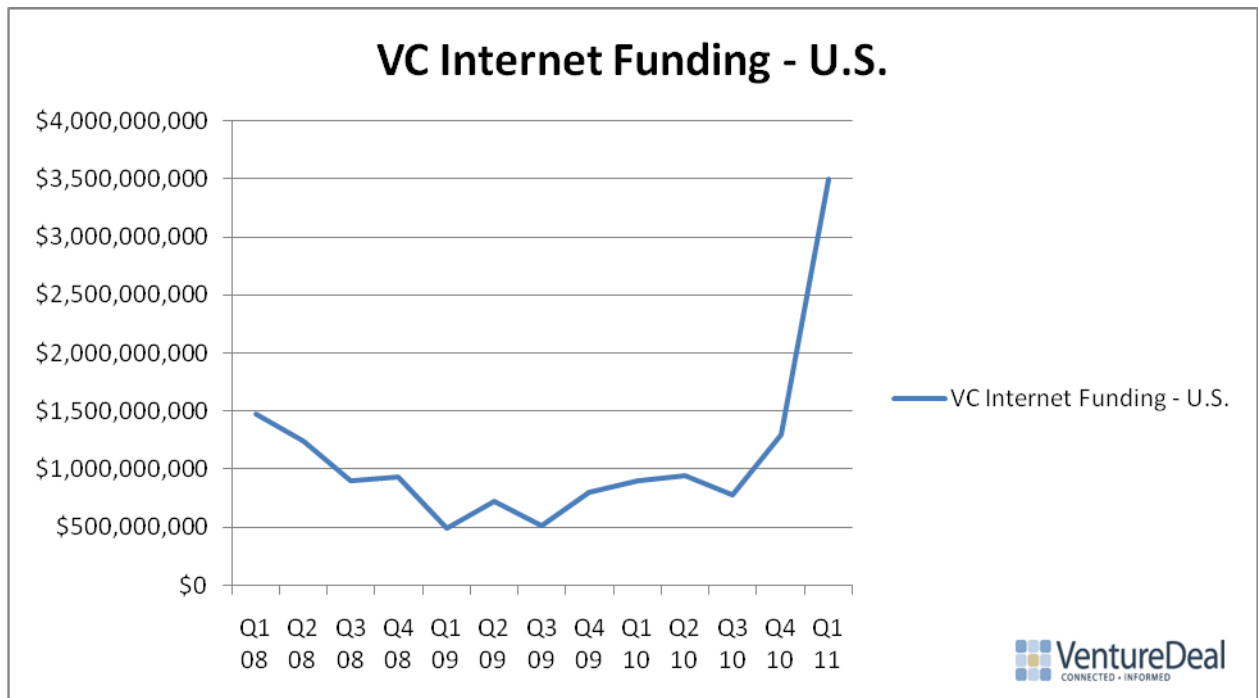
Internet

Internet sector company fundings continued their previous quarterly increase by registering a dollar percentage increase of 169%. The sector received \$3.5 billion in venture capital funding during the quarter allocated among 197 companies – an increase of 11% in the number of companies funded.

Palo Alto, California-based social network giant [Facebook](#) secured the largest round of the quarter, receiving \$2 billion in late stage funding from [Mail.ru Group](#) and a [Goldman Sachs](#) syndicate.

In the daily deal space, [Groupon](#) raised \$377 million from a group of top-tier venture capital and private equity firms. The company, which was launched as recently as November, 2008, has experienced tremendous growth from customers wishing to get a deal on goods and services.

Online reputation company [Klout](#) closed \$8.5 million in new financing which included [Kleiner Perkins Caufield & Byers](#), [Greycroft Partners](#) and [ff Venture Capital](#). Klout has created technology that it believes measures an individual's "influence" across the social Web by providing a "Klout score".

Chart 1 – Internet Funding


Digital Media

Digital Media funding continued its previous quarter funding increase. Digital Media companies for the purposes of VentureDeal's definition are generally either video/casual game developers or advertising networks. Total funding increased quarter over quarter by 5% to \$505 million, with 41 companies being funded, a decrease of 7% versus the previous quarter.

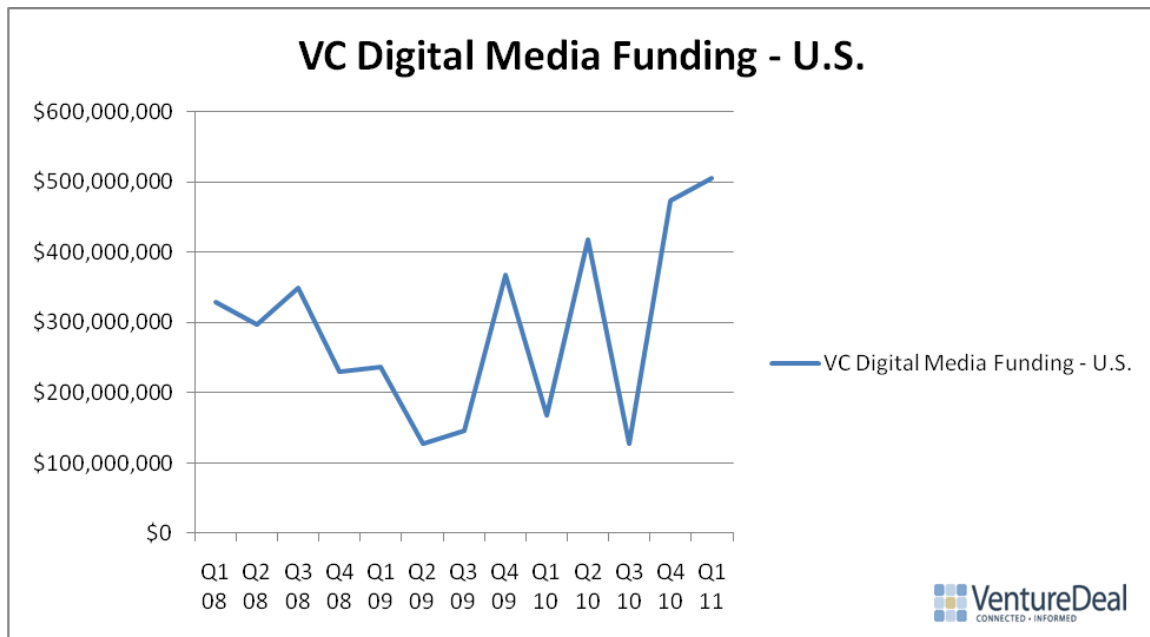
[AdKnowledge](#) received \$200 million in private equity and venture debt funding. The company provides outsourced behavioral marketing advertising technologies that provide advertisers with knowledge of how consumers interact with previously viewed online advertisements in order to forecast which offers they are most likely to respond to.

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Also in the advertising space, [BoostCTR](#) raised \$1.64 million from early stage venture capital firms. BoostCTR says that it is "the first service that lets online marketers crowdsource the optimization testing of their ad creative on a performance basis." The company said it would invest the proceeds to continue to build out its advertising optimization platform.

[SCVNGR](#) garnered \$15 million in its third round of strategic and institutional venture capital investment. The company has created a geo-gaming platform that enables developers to easily build location-based mobile games and other interactive experiences. Strategic investor [Google Ventures](#) participated in the investor syndicate.

Chart 2 - Digital Media Funding



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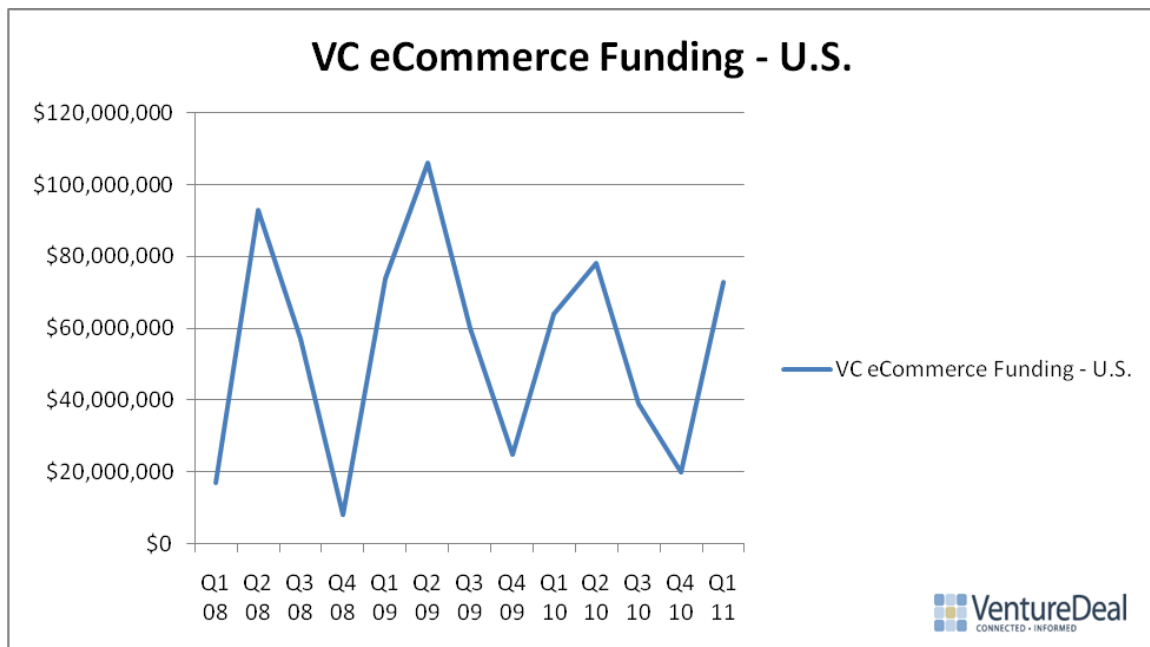
eCommerce

The eCommerce sector reversed its previous quarterly downward trend, with 12 companies receiving a total of \$73 million in funding, an increase of 265% in financing amounts versus the previous quarter's tally.

Social payments company [Twitpay](#) raised an undisclosed amount of funding for its technology that "enables easy secure social payments for gaming commerce and giving." [TomorrowVentures](#), the personal venture capital arm of Google Chairman Eric Schmidt, participated in the round.

Boston, Massachusetts-based [Paydiant](#) received \$7.6 million in its first institutional venture capital financing round. The company, which has yet to launch its service, is developing technology that facilitates online payments via mobile phones. Paydiant is backed by [North Bridge Venture Partners](#) and [General Catalyst Partners](#).

Chart 3 - eCommerce Funding



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Software

During the quarter, Software company fundings represented the second-largest sector, raising \$750 million between 114 companies. This activity represented a decrease of 5% in total funding amount and a decrease of 6% in the number of companies funded.

The average financing round size registered a slight increase, from \$6.5 million in Q4 10 to \$6.6 million in the current quarter. There were a total of 10 series A funding rounds during the quarter, the most prevalent disclosed funding stage.

The largest funding of the quarter was \$135 million for San Leandro, California-based [OSIsoft](#). The company provides enterprise infrastructure for management of real-time data and events. OSI said it would use the financing to accelerate its expansion and address increasing global demand for its technologies.

Tiny [PlaySay](#) garnered \$325,000 from [Novak Biddle Venture Partners](#). The company has a novel take on language instruction, providing users with an online "girlfriend or boyfriend" so that users can learn a language in a fun, interesting and social manner.

In the cloud storage space, San Francisco, California-based [Scality](#) secured \$7 million in its second round of venture capital financing. Scality provides unstructured content storage technologies for very large e-mail message service providers. The company will use the financing to continue to enhance its distributed, object based storage platform for private cloud environments.

Chart 4 - Software Funding - See Next Page

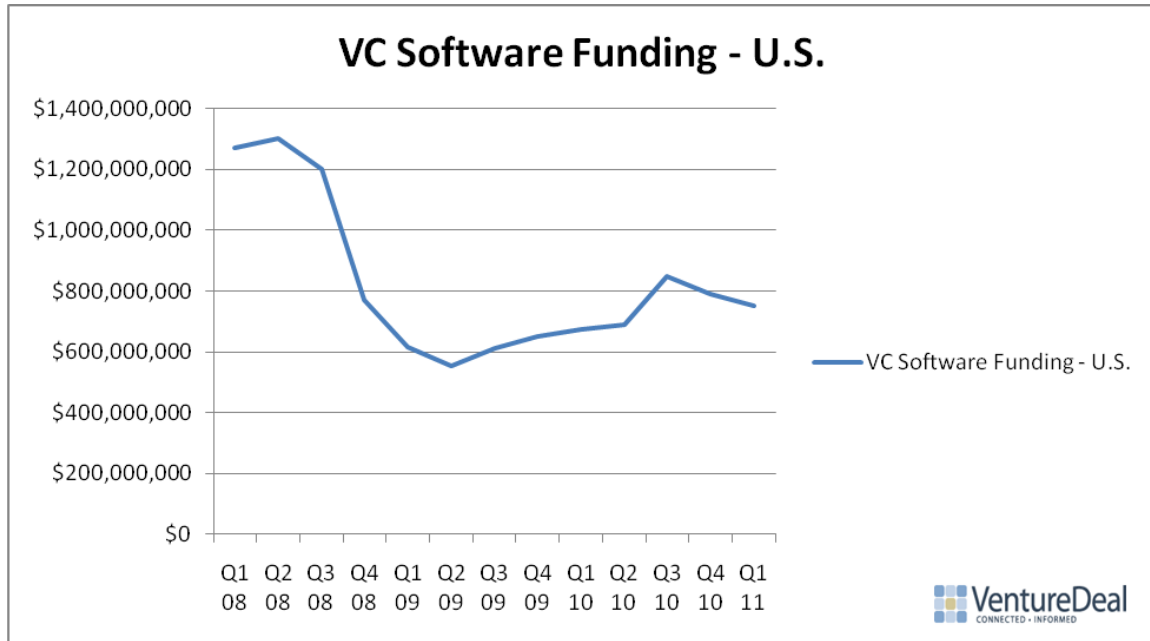


Table 1

Venture Funding Activity – 1st Quarter 2011

Industry	Total Disclosed Funding	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$3.5 billion	+ 169%	197	+ 11%
Digital Media	\$505 million	+ 5%	41	- 7%
eCommerce	\$73 million	+ 265%	12	+ 50%
Software	\$750 million	- 5%	114	- 6%
Total	\$4.8 billion	+ 85%	364	+ 4%

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Notes

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The database obtains transaction and company information from a wide variety of reputable public and private sources. While this report is free of charge, users may view the individual transactions supporting the totals herein by subscribing to VentureDeal.

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