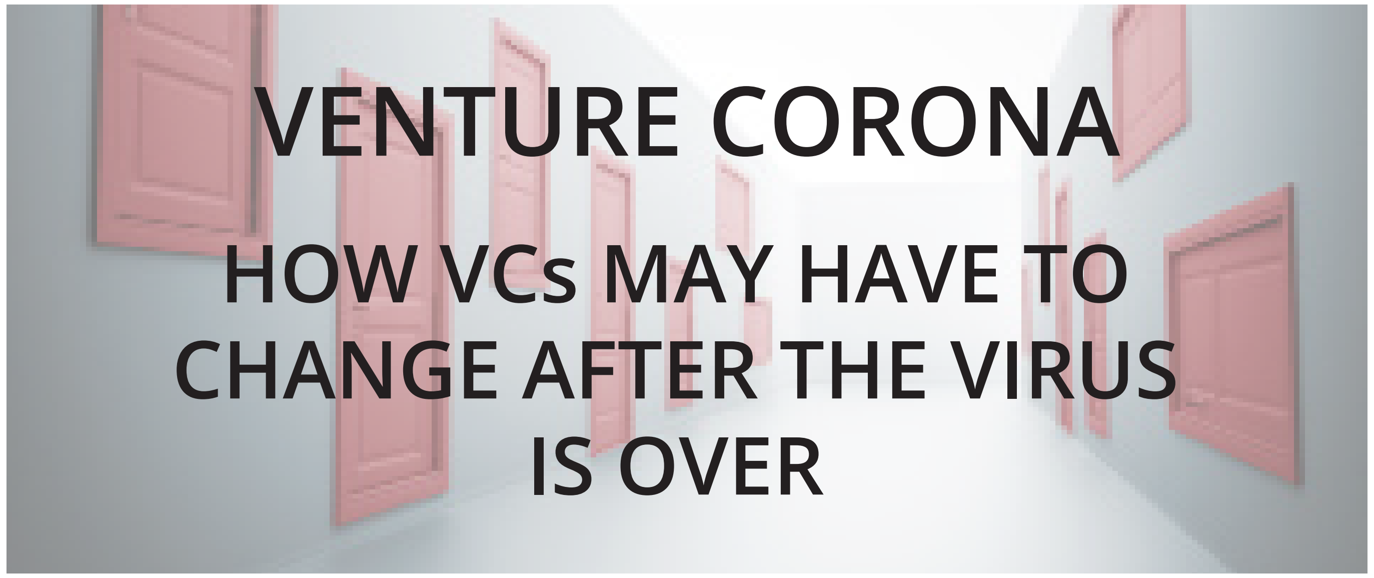

VENTURE CORONA

HOW VCs MAY HAVE TO CHANGE AFTER THE VIRUS IS OVER

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Marc Andreessen sure knows how to make headlines. His latest article It's Time To Build really hit a nerve with the virus struck America.

It says exactly what you'd expect it to: we (the Americans and the West more generally) should start building and creating again. Though, arguing that the lack of masks and corona tests speaks to America's "smug complacency" may be a tad populist (no country can be prepared to treat all its people at once; nowhere, not even China), the main point of his argument sticks: the West has grown used to live light—offshoring the building, while relishing in consumption and experiential living.

Rightly or wrongly, Andreessen goes on saying that the problem isn't money. After all, the U.S. government just said to push $2 trillion into the economy. But how can it not be? Andreessen talks about gleaming skyscrapers, highly automated factories and hyperloops, and asks why there is no will to build these things?

The invention and creation of these technologies has to be funded first, and the money would have to come in no small part from venture capitalists.

This could be a problem. Reaching for stars is in the VCs' mandate. They are supposed to invest in companies that have the potential to become value outliers—the next Facebook(s). So, you see they don't invest in hard stuff. As we know, it was Marc Andreessen who said "software is eating the world."

A lot of the things that VCs invest in keep that light Western life going. Something would have to happen to make VCs invest in the building—hardcore (decades) long-term investment themes. The question is, is that something the coronavirus?

When the global markets plunged by 30% in March, people woke up to the realization that this is indeed a very deep crisis.

Economists, investors and market commentators began discussing if this crisis—the global coronavirus crash—will prove deep enough to change the world and how. That discussion slowly graduated to a more mainstream audience, until it became widely accepted that we may never go back to the office or on an airplane.

Though some of the doomsday prophecies about eternally impaired spending habits should not be taken all too seriously, it is certain that the virus will have a lasting effect on how we function as a society.

Some things will get slower like ever-present health checks (few could have imagined the extent of airport checks before 9/11), others will get much accelerated like the trend toward remote working.

Zoom's user base has grown from 10 million to 200 million in the space of weeks, and in response, Facebook just launched its own video app. In some areas of the U.S. like the virus struck New York, demand for houses in suburbs has grown by 70%.

These are not short-term trends. In fact, they can make our lives much more efficient. Think about it: take away the daily commute and millions of square feet of rented office space and you have a fundamentally more efficient society.

It wouldn't happen without the virus. It takes a crisis to force us to do things we know we could have done for years. And it is the same with VCs.

The crowding of the VCs in light themes—the Uber(s), Snap(s) and Airbnb(s)—was reactionary. The 2008 crisis brought about disillusionment with the system, a desire for lighter life of soul-searching, not building. The global coronavirus crash exposed that we need things to fall back on—better systems and hard technology that VCs better react to just like they had done before.

One of the reasons why Andreessen's very own **fund a16z** rose to prominence is that, born out of the 2008 crisis, they reformed what a VC is, repurposing venture capital into an agency-like institution. This crash could give rise to more innovation, which is certainly needed.

For, though VCs are thought of as the disruptors, they themselves have not been disrupted yet. They remain investment vehicles for billion-dollar institutions and a few super-wealthy with opaque manual processes which often yield (but remain undetected) below average performance.

For starters, in tandem with the virus struck digital-only world, VCs could embrace digitalization a bit more.

There are now neat virtual dashboards that can help VCs automate the reporting and monitoring, some of which are funded by the VCs themselves like Vestberry.

Opening their funds to more investors by, for example, changing the subscription process to a digital form, thus saving time and legal costs could be seriously impactful. VCs could become lower cost thematic investment vehicles for larger investor audience, and, in the words of Marc Andreessen, "all contribute to building."