

CES 2014: Entrepreneurs seek next step at Eureka Park

Tarsier, Dualo, Escargot, MYBELL, Virtuix scrabble for money and attention, with varying degrees of success

(Photo: USA TODAY)

LAS VEGAS – Below the flashy keynote speeches and giant product launches at this year's CES technology conference, in the window-less bowels of the Venetian hotel, about 100 young startups scrabbled this week for attention and money.

These companies – if you can call them that – paid for a booth measuring about 12 feet across at CES's Eureka Park area. Founders and CEOs demonstrated their products, handed out business cards and chatted with anyone showing even fleeting interest as they passed by.

Many of these firms raised money from friends and family, then ran a campaign on crowdfunding sites like Kickstarter and Indiegogo. That gave them enough money to make a product and deliver it to customers, if all went according to plan.

They came to Eureka Park looking to take the next step by raising money from early-stage equity investors such as angels and venture capitalists. But that is a huge jump to make and for some there is a big funding gap at this part of their corporate journey that seems too large to cross.

"A lot of these companies started like I did in a bedroom or garage," said Jake Sigal, founder of Livio, a startup that got going at CES in 2008 and was acquired by Ford last year. "The tech is really cool, but there is a big gap between a successful Kickstarter campaign and being an established business."

Paul Yun of New York start-up Escargot was at Eureka Park showing his first product Spixi, a charging cable for iPhone's, iPads and Android mobile devices.

Yun raised roughly \$50,000 from about 1,400 backers on Kickstarter who signed up to get a Spixi for \$30. In June, Escargot started selling the gadget on its website.

When asked how he plans to raise more money to expand and develop Escargot's next product (a solar-powered wireless charger that's in prototype currently), Yun seemed at a loss.

"People like me don't know where to turn," he told USA TODAY in an interview. "Kickstarter is the obvious place to turn to again, but they don't have the answers. It doesn't start companies. Just because you have a product, that doesn't mean you have a company."

Yun said he's hoping to attract New York-based angel investors who are interested in young hardware companies.

A few booths over at Eureka Park, Dualo, a French start-up, showed a new musical instrument it developed. The company has raised money from a dizzying array of sources, according to co-founder Bruno Verbrugge.





Dualo CEO and co-founder Jules Hotrique shows off the startup's new musical instrument at CES's Eureka Park in Las Vegas (Photo: USA TODAY)

First came "love money" from friends and family, he said. Then a couple of loans for about 80,000 euros in total from French government agencies that promote entrepreneurship. Next was a 25,000 euro grant Dualo won, which financed about half of the development of the prototype.

Then Dualo ran a campaign on a European crowd funding platform called KissKissBankBank and raised 23,000 euros. Backers agreed to pay 890 euros for the Dualo musical instrument and the start-up is aiming to deliver the product in March.

Now Dualo is raising 500,000 euros from angel investors in France, Verbrugge said.

"This angel round has been very hard for us," he added. "We are not a website or a mobile phone. We are something that no one is waiting for and no one understands. It's been 200 years since there was a new musical instrument."

A stroke of luck may help Dualo bridge its funding gap. After the crowdfunding campaign, Dualo was written up in a French keyboard magazine and a businessman who read the story called and offered 10,000 euros to make sure the start-up reached its crowd funding goal.

By that time, Dualo had already reached its goal. "We told him we wanted 500,000 euros," Verbrugge recalled. "So he gave us 250,000 euros."

Verbrugge declined to identify the investor, but said the person runs a business with about 500 employees and is a musician in his spare time.

That injection of cash has helped Dualo raise even more money from other angel investors and it is close to completing its 500,000 euro financing round.

The cash will pay for marketing and the development of Dualo's next products: a new version of the musical instrument that is cheaper and a music video game, Verbrugge said.

Tarsier, a startup that's developing Move Eye smart glasses that track gestures to control content on TVs, decided against crowdfunding, according to CEO Shafa Wala.



Tarsier CEO Shafa Wala (right) stands with other execs from the startup at CES in Las Vegas(Photo: USA TODAY)

"So many startups have raised money this way and not delivered their product on time and disappointed customers," he said. "We didn't want to ruin our reputation."

Tarsier got its start with money from "friends, family and fools," as Wala jokingly described it.

The startup is raising its next round through Fundable, an equity financing platform with about 20,000 accredited investors. This is one of several funding platforms that have sprung up since the recent JOBS Act relaxed restrictions on this type of investing. Tarsier launched its Fundable campaign on Jan. 8 to coincide with its appearance at Eureka Park.

MYBELL showed its digital bike bell, which lets users put any digital tune on the brightly colored device that attaches to handle bars.

The start-up has raised \$10,000 to \$15,000 so far, which came from a combination of personal savings, friends and family and some New York entrepreneur and angel investor awards that it won.

MYBELL plans to launch a crowdfunding campaign on Kickstarter or Indiegogo and hopes to raise about \$70,000. Half of that money will pay for the injection molding process that will create the final product and the other half will cover the cost of the components, according to co-founder Peter Pottier.



MYBELL execs Valentín Siderskiy and Peter Pottier show their startup's product at CES's Eureka Park(Photo: USA TODAY)

MYBELL will be offering the product at a backing cost of \$70 to \$75, Pottier said, while noting that price is based on very conservative estimates.

"We are starting a company," he added. "We don't want to disappoint customers."

Among the many Escargots and MYBELLS, one start-up stood out from the Eureka Park crowd. Virtuix showed Omni, a circular running pad and waste harness that works with the Oculus Rift virtual reality goggles and lets gamers immerse themselves in 3D action video games.

Virtuix raised \$1.1 million from 3,000 backers on Kickstarter who signed up to get the Omni system for \$349 to \$429. Virtuix is now taking orders for Omni online for \$449.

The firm is close to closing a \$2.5 million seed funding round from angel investors and venture capital funds, according to Jan Goetgelux, the founder of Virtuix.

"For us, it has been fairly easy," he said. "It's a very visible product that feeds the imagination."



Virtuix CEO Jan Goetgeluk at a demonstration of the startup's Omni gaming system at CES's Eureka Park(Photo: USA TODAY)