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Top 10 Startups Worth Watching in 2008

By Julie Sloane  12.24.07

Credit crunch? Recession risk? You'd never know it, judging by the frenzy of startup activity. In fact, it's a pretty good time to start a company. Generous payouts from Web 1.0 IPOs and more-recent acquisitions have given rise to a new generation of angel investors and venture capitalists. Plus, getting acquired by Google is an attractive and plausible exit strategy for many entrepreneurs. Those factors have combined to make a startup market almost as frothy as the dot-com bubble.

We say almost, because the spending is a bit less lavish than before, and because -- unlike 1999 -- many of the new crop of startups have real promise. Here are 10 pre-IPO, pre-acquisition companies worth watching in 2008.

23andMe

There's a lot you could buy with \$1,000, but for that price [23andMe](#) offers something never before sold to the masses: your DNA. Are you predisposed to prostate cancer? Glaucoma? Heart disease? [23andMe](#), [profiled recently](#) in *Wired*, can tell you. The implications could rock the medical world -- and the ethical one. As the science of genomics continues to improve, [23andMe](#) should be able to provide ever-better information. In 2008, it will also provide social networking between customers who share traits ranging from ethnic origins to disease profiles.

Founders: Linda Avey and Anne Wojcicki

Funding: \$12 million, from Genentech, Google and New Enterprise Associates

Employees: 30

37Signals

There's a reason nobody ever uses the phrase, "It's as simple as computer programming." But Chicago's [37Signals](#) has made life simpler for programmers and small businesses alike with products such as Basecamp (project management software) and an increasingly popular open source web framework called Ruby on Rails. The company ditches the philosophy of "more features, more better" in favor of simplicity and accessibility: Focus only on the most important features and make things easier to use. The company itself embodies its keep-it-simple philosophy: Fewer than 10 staffers, working from humble offices, create programs quickly and nimbly adapt them based on user feedback. [37Signals](#) released version 2.0 of Ruby on Rails in December, which should give many programmers a happy new year.

Founders: Jason Fried, Ernest Kim, Carlos Segura

Funding: Undisclosed sum from Bezos Expeditions

Employees: 8

AdMob

When [AdMob](#) launched in 2005, its prospects did not look bright. As a startup mobile-advertising network, it would have to compete with Google, and how feasible is that? But [AdMob](#) has defied the odds. While Google is just four months into testing a mobile version of its advertising network, [AdMob](#) has already served 12 billion ad impressions to mobile users. As more consumers buy web-enabled mobile phones, the prospects for mobile advertising can only improve.

Founder: Omar Hamoui

Funding: Undisclosed Series A from Sequoia Capital; \$15 million Series B from Accel Partners and Sequoia Capital

Employees: 65

BitTorrent

As a peer-to-peer, or P2P, download protocol, [BitTorrent](#) was perfect for illegal file sharing. But in late 2007, the parent company of that protocol -- also called BitTorrent -- unveiled a potentially disruptive new use for its P2P technology: a platform that software providers and media companies can use to help customers download high-resolution files faster (and legally). By reducing distribution hurdles, BitTorrent will make online video and software sales increasingly viable in 2008 and will challenge the notion that the idiot box is the primary way to get your *CSI* fix.

Founders: Bram Cohen and Ashwin Navin

Funding: \$28.75 million from Accel Partners and DCM (formerly Doll Capital Management)

Employees: 60

Dash

Today, GPS is a one-way street, with a satellite beaming instructions to your device. You turn left because a chip inside your GPS device calculated that would be the best route. In 2008, [Dash](#) will chart a new course with Dash Express, a GPS that learns from its users. If a Dash owner is moving 5 miles per hour in a 45 mph zone, Dash servers will realize he's in traffic and warn other Dash drivers to choose faster routes. Sure beats calling 5-1-1.

Founders: Brian Smartt, Mike Tzamaloukas, Steve Wollenberg

Funding: \$45 million from Kleiner Perkins Caufield & Byers, Sequoia Capital, Skymoon Ventures, Crescendo Ventures, ZenShin Capital Partners, Artis Capital, Gold Hill Capital, and several individuals

Employees: 85

Fon

You pay for internet access at home, so why must you pay for it again at the coffee shop, the airport and the hotel? That frustration spawned Spanish Wi-Fi startup [Fon](#). It's a simple idea: Give and you shall receive. "Fonerors" first agree to share their home wireless connections with other [Fon](#) customers using a special router, which splits the signal into public and private streams. In exchange, they get the privilege of using any of the network's wireless signals anywhere in the world for free. [Fon](#) has inked important deals with TimeWarner Cable in the United States, BT in Britain and Neuf in France, and its network has expanded to an impressive 600,000 registered users worldwide. Free global internet for the price you already pay at home? Sign us up!

Founder: Martin Varsavsky

Funding: Approx. \$35 million from Skype, Google, Index Ventures, Sequoia Capital, Excite, Digital Garage and BT

Employees: Approximately 90 worldwide

LinkedIn

[LinkedIn](#), a career-oriented social networking site, found 16 million users, yet until recently has been eclipsed by much larger, livelier competitors. Now, a [much-needed upgrade](#) has the 4-year-old startup looking pretty good after all. A new developer platform aims to bring LinkedIn networks to the web at large, starting with *Business Week's* website, which will show your connections to any companies mentioned in news articles you're reading.

LinkedIn still emphasizes utility over frivolity, and that's just the way we like it. Instead of virtual hugs and stripper name generators, expect the site to add "modules" that gather news and events from your industry. The dull-but-useful strategy seems to be working: LinkedIn projects revenues of nearly \$100 million in 2008 -- not too shabby compared to much larger Facebook's estimated \$150 million for 2007.

Founders: Reid Hoffman, Allen Blue, Konstantin Guericke, Eric Ly, Jean-Luc Valliant

Funding: \$27.5 million from Sequoia Capital, Greylock, the European Founders Fund, Bessemer Venture Partners, and numerous individual angel investors

Employees: 200

Powerset

It's gotten hard to imagine a world where Google doesn't dominate internet search, but some believe that if anyone can dethrone the king, it's Powerset. The San Francisco company is developing an alternative "natural language" search technology, which takes into account the actual meaning and context of words in a sentence. Of course, it's not the first time someone has tried to make computers think more like human beings, and HAL 9000 is still MIA. And despite an impressive demo at the TechCrunch 40 conference in September, Powerset's management has struggled recently, losing one founder (Steve Newcomb) while another (Barney Pell) stepped down from the CEO position. Even if Powerset's search engine doesn't make it to market in 2008, Silicon Valley will be closely watching to company for any signs of progress -- or lack thereof.

Founders: Steve Newcomb, Barney Pell and Lorenzo Thione

Funding: \$12.5 million from Foundation Capital, The Founder's Fund and several angel investors

Employees: 60

Slide

In the battle of Facebook vs. the OpenSocial gang, there's one assured winner, and it's not even technically in the fight. Slide, the largest provider of third-party applications (aka "widgets") to websites and social networks, stands to win no matter which network comes out on top. (Slide's chief widget-making rival, RockYou, is also well in the mix.) Slide's success is only pegged to the social networking trend, which shows no signs of flagging in 2008.

Founder: Max Levchin

Funding: Initial funding from Max Levchin; a rumored \$20 million from BlueRun Ventures, The Founder's Fund, Khosla Ventures, Mayfield Fund

Employees: 60

Spock

Google can search the web by keyword, but Spock gets more directly at a single question: What does the web know about you? By crawling the web for personal information and combining that with social network data, Spock creates a hub for information about actual people. Enter your name in Spock's pared-down interface and find out what the internet knows about you, or search by a keyword to find, say, ornithologists or sommeliers. Spock generates its profiles automatically, but individuals can "claim" theirs and correct any misinformation. In fact, you might want to check yours right now....

Founders: Jaideep Singh and Jay Bhatti

Funding: \$8 million from Clearstone Venture Partners and Opus Capital

Employees: 25



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