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Interview with Frank Petry on “Digital Entrepreneurship: Opportunities, Challenges, and Impacts”

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Frank Petry is a primal rock of Germany’s startup scene. He is a serial founder, serial investor (e.g., Ticketmaster, Expedia, Lending Tree, Web.de, ESCOM), partner and member of the Advisory Board at Blue Lake VC, as well as a partner, mentor and advisory board member at the Baltic Sandbox Accelerator. Additionally, he is the CEO of PECON (Consulting) and Thundermountain (VC, Accelerator, Corporate innovation).

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BISE: Mr. Petry, how did you become a startup investor back then?

Petry: It played a role that I was first a founder myself and discovered how important the topic of funding is and that it was extremely difficult to find someone here, especially in Germany of the eighties.

BISE: Do you remember your very first investment?

Petry: Well, Web.de, for example, was an early well-known one, but that was somewhat later. The first investment was in ESCOM, which was in the early nineties. ESCOM, previously Schmitt Computer Systems Ltd., was a German computer company, best known in Germany, United Kingdom, and the United States as the successful purchaser of Commodore International and the Amiga trademarks in 1995 and at that time a successful PC seller.

BISE: How did you work as an investor back then, how did you find your investments?

Petry: Well, I found them through networks. This is still one of the most important topics for me today: simply getting to know many people, talking about ideas, which is inspiring on the one hand, and then on the other hand provides an opportunity to assess which could be successful. In addition, from my point of view it’s most important that the founding team is an entrepreneurial one, so there has to be a strong alignment between the team and me. Where you say, “Yes, these are people I trust to really push a topic forward.” Plus, it must be a topic where I say, “Okay, I understand enough about it myself to be able to assess that this can work and work really well, especially with this team.”

BISE: Thinking about your most recent investment, can you tell us something about it?

Petry: Yes, the most recent one is Complero. This contact came about through a startup event. We met and talked several times, and I noticed that it was a really strong founding team, that people were passionate, and I also liked the idea. It is all about improving data quality using AI, and in the future even predicting what's changing with customers before they even officially acknowledge it. I think AI will have a very, very strong influence on the economy in general in the near future.

BISE: And when you think back to your very early investments and your current ones, how has your work as an investor changed? Perhaps also from a digital perspective?

Petry: What has changed radically, of course, are the possibilities. When I think of the first investments: no social media, no mobile phones, fortunately already email. It was all much slower, not as tightly networked, you had to spend a lot more time going to events, meeting people, a lot of things are digital now, and that makes it much easier. We have moved closer together via digitalization.

In the past, I have to say, I worked very regionally, with a few places where I went more often. Today, my network reaches around the globe, I exchange ideas around the globe and of course, you can gain much more experience yourself, gain new impulses, find new aspects, see new things, can try things out much faster. Of course, you did not have all these possibilities in the eighties.

Digitalization has also made many things faster and easier in terms of implementation. I myself have, I think, twenty email addresses from different companies. I am also in 15 Slack channels at various startups, so I can look directly into them very quickly: What are they at? What is happening right now? Where can I do something, even without having to talk to someone? And in the past, it was very important to have regular meetings where you sat down together and talked, so that you actually knew: What's happening right now? Where do they stand in general? This is a click here on the monitor today, I log on, and then I see: "Okay, this is happening". And then I can also notice something where I say, "Oh, I'll pick up the phone, call them and say, "Have you actually noticed? "

BISE: Have the founders, their personalities, and their ideas changed fundamentally since you started investing?

Petry: Yes, I would almost call that a sort of U-shape. So when I started, there was a huge amount of people who wanted to start up and who really had this spirit of, "I want

to be an entrepreneur. I want to do something special." And that faded away more and more after the eighties. For the last few years, though, I've noticed that it's coming back again. I think it is partly due to the technical possibilities, but from my point of view it's also due to the fact that the new generations are no longer so satisfied with the road of life they see.

BISE: When we talk about technical opportunities, what exactly are you thinking about?

Petry: That is the main fuel that's driving this change. Because in the eighties, it was at most a handful of technologies that we had newly available, that changed things, even radically changed things, but it was relatively manageable and it was relatively easy to foresee what was going to happen. We have had at least a decade right now where so many new technologies have emerged or are emerging. So if I look right now at quantum computing or blockchain and many other things, these fundamentally new technologies are going to have a very profound impact. Whether it's AI topics, whether it's sensors in the IoT environment and in robotics, even in topics like telecommunications, where there have already been great strides, we're making huge leaps forward at the moment. So when I look at this multitude, it is already making a great difference. And now things become exciting: I can also combine these technologies with each other, and the combination creates new possibilities. And these combinations ultimately create exponential opportunities that we have available now. And therefore on the technology side, we really have an age of awakening at the moment which enables brilliant new ideas and business models. And on the other hand, a generation is upcoming who is no longer satisfied with what the baby boomer generation has built up, this view of the world and these ideals. Many young people are fed up with this and say: "But that can't be it, I have other ideals and values."

Also the topic of the environment: How is our planet, our earth developing—the only thing we have to live on? That is a very important topic for this generation and they therefore have a need for change. And this comfortable: "I'll go to university, study something, join a big company, need a secure job, earn a lot, buy my house, my car, have a family, and that's the career, and that's life", they don't see it that way anymore. They want to experience and change something and that's what fuels the new generation of entrepreneurs. And that's why I mentioned the U-shape, we're moving back up to where we were in the beginning.

BISE: Now when you talk about this combination of these different technologies and the exponential opportunities, do these entrepreneurs need different skills now as the

U-shape goes back up and things change again due to technology and new values?

Petry: Yes, definitely. A lot of things are changing there as well. Not only do we have buzzwords like New Work with distributed teams and other things, but this classic hierarchical thinking has also changed. Leadership is understood differently today than it was back then. We had much more strictly delimited segments in society before. You either belonged to a certain elite or you had to work your way into it. Today, structures are increasingly open to all.

BISE: Do you feel it's also related to technology?

Petry: Yes, definitely. So it's much easier to obtain information about many things. Information used to be very, very, very valuable. It was quite difficult to get, and I always needed other people to receive information at all. Today, almost everything is available in real time, at any time, everywhere, or in special cases, if I can't get it in my own country, even internationally.

BISE: If we say: "Information used to be valuable, but it is not anymore today" and then talk about digital startups which are often information-based, does it bring particular challenges to protect them from imitators because access and the barriers of entry are low?

Petry: Partly. Information is maybe not less valuable than it used to be, it's still valuable. However, the access route to information used to be the expensive part. Access has become easy. And yes, of course, that makes some business models copyable, and a founder has to be mindful of that. On the other hand, if I have a consistent plan, if I am fast enough and also have the resources available, then I can develop a head start for myself making it hard for other to compete.

It's not just about creating the technical possibility, it's also about a brand, building trust, finding customers. If I'm the first and do it well, then of course I still have a huge head start, especially with platforms. Along the way, of course, I have to be mindful of WHO I share ideas with. Now if I want to find investors, then of course I have to share the idea. Usually, also no NDAs are made between founders and investors. An investor usually doesn't have the prerequisite or interest to copy a model. Where I might have to be careful is when corporate investors are involved who have a strong ability to implement the idea themselves with their existing large development teams; this is of course a danger. However, it was no different in the past, it was just slower and less transparent. Ideas were also stolen and copied in the past.

BISE: Digital startups and digital business models are especially strong in the USA and China, while Europe currently does not play such a dominant role. Do you have an explanation for that?

Petry: It's due to two things: regulation is significantly lower, both in the USA and in China, and second they each have huge markets of their own. That means that if a company in its country, either China or the USA, manages to become big, to be a champion nationally, it is immediately also a global champion, purely in terms of size, especially with platform ideas and the like. While a company that grows up in Germany can certainly already be a nice medium-sized company and have a market power locally, but will not play a role internationally at all. It would have to conquer Europe at least first to play an international role. But of course Europe is still very dispersed: we have different languages, cultures, legal systems, tax systems, I have to overcome all that. On the other hand, a company that succeeds in Europe also has the strength to definitely survive internationally, because the experience that it gains can give a head start in adopting to different settings. However, the road in Europe is long and Europe has missed out on a few things.

BISE: In which way?

Petry: By not managing to create at least to some extent uniform markets, and by not managing to connect the European ecosystems more strongly, which is now happening, independent of politics. There are now very strong networks across the individual countries; a larger group of people who know each other extremely well, who work together and have recognized when it makes sense to go beyond national borders. Even though it may not be one hundred percent to the benefit of their own country, they do it anyway because they have recognized: If we do not work together, we will have no chance to compete with firms from the USA and China. Moreover, this movement and these connections would not have been possible without digital technologies in this form.

BISE: If you had one wish, what would you like to see from European politics in terms of support for digital startups?

Petry: That is relatively simple. We need a more uniform startup environment for the whole of Europe, which means greater uniformity in legal and tax terms. There may well be minor national peculiarities, but in principle – and this does not just apply to startups, it applies to the economy as a whole – we need to ensure that Europe really does create a more uniform system; otherwise we will simply slow

ourselves down. And otherwise, in my view, Europe is already doing quite a good job. There are many things in what the EU is organizing that already help to bring the ecosystems closer together. A lot has happened. Moreover, I believe that Brussels has understood that it is more important to play a passive role, that is, to provide platforms and opportunities, and instead of creating institutions that want to do something, but to really provide something that others can use. Nevertheless, the fact that there are still considerable differences in legal and especially in tax law, which make it extremely difficult for companies, continues to act as an extreme brake. That would be THE central point where I say: we have to work on it.

BISE: Thank you very much for taking the time for this interview!

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