



**Facing the Future:** With its chip-driven editing devices for VCRs, Videonics is one of a few companies preparing products designed for the impending marriage of computers and television.

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achieve in electronics while not being interested in consumer electronics?" (JVC, by the way, is 51 percent-owned by Matsushita.)

D'Addio also believes that American consumer electronics companies can learn something valuable by adapting to Japan's strict standards. "They do things differently in Japan," he says. "They have a different set of expectations."

Those expectations have led Videonics to make a number of small but crucial improvements in their product line. Things like painting the plastic cases of their devices, shrink-wrapping the enclosed batteries and eliminating air bubbles on the control panels. Just as Japanese firms gained critical skills and knowledge by manufacturing U.S. products, Videonics is benefiting from the high standards of their overseas customers.

"They [Panasonic] have a cadre of quality-control people looking at our products," he says, "and we are learning stuff from the Japanese all the time and applying it to the domestic market," he says.

**D'**ADDIO IS QUICK TO admit that, were it not for his own deep pockets, finding venture capital to support Videonics would have been difficult. "The venture capitalists just won't put money into consumer electronics. When you mention it, they generally look at you as if you have the plague," he says.

"Or act as if you're stupid or

**"This is the first time  
Panasonic has done  
bought a product outside  
of Japan to sell back into  
the Japanese market,"  
according to D'Addio.**

crazy."

"I had friends tell me I should just pretend we had a Japanese company because no one would buy products from an American consumer electronics company."

"That's probably true," says venture capitalist Bill Davidow. Davidow's firm—Mohr, Davidow Ventures—manages roughly \$80 million and invests heavily in both high-tech and medical technology startups. "In general, it would be difficult to get venture capitalists interested in highly capital-intensive industries, like consumer electronics," he says. Davidow's colleague, venture capitalist John Walecka, who runs the \$500 million-strong Brentwood Associates (one of the first investors in Apple Computer) in Menlo Park, agrees.

"However," Walecka adds, "there is always room for a company that addresses a unique niche and that has proprietary technology." Videonics, Walecka says, "sounds like

an intriguing company—it's a very interesting product area."

While local entrepreneurs like D'Addio bemoan the dearth of enthusiasm among venture capitalists for infant consumer electronics operations, the venture capitalists themselves maintain there is still plenty of money to go around. True, there has been a decline in the total pool of funds available to finance new ventures. According to *Venture Capital Journal* magazine's editor-in-chief, David Schmitt, the total \$1.9 billion in venture capital invested in 1990 was down "fairly substantially" from 1987's all-time high of \$4.2 billion.

But Davidow counters that the decline in the venture funds pool is actually an indication that "the system is working. There were too many deals done back then that didn't pay off. If you put a lot of money in early and you can't get it out later, it turns out it was a bad investment," he understates. "So now, the good deals are being financed and those that are not going to do well are not being financed."

Even established entrepreneurs, the venture capitalists point out, have had trouble in consumer electronics. Apple computer inventor Steve Wozniak, for example, developed a multipurpose programmable home entertainment remote controller. Although Woz's remote is generally recognized as the most powerful and versatile infrared device of its class and is today used to control medical equipment, the product missed its

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