

Jan 6, 2012

Opportunities Emerge for Nashville Digital Firms

Chris Silva

With strong investor returns in recent years and a cadre of startups looking to enter the space, technology experts believe Nashville's digital media industry is well positioned for massive growth.

The eyes of the investment community were opened when Yahoo! purchased Brentwood-based Rivals.com for roughly \$100 million in 2007, and when AOL bought Nashville video creation company StudioNow for \$37 million in January 2010.

Experts feel the industry is an emerging market that will spawn new products, partnerships, venture deals, exits (when an investor cashes out) and job growth in 2012.

"We feel like we learned something from that investment," [Matt King](#), managing director of FCA Venture Partners, said of StudioNow, which FCA had invested in. "We were comfortable with that transaction, so we have continued to look at the space."

[Mark Montgomery](#), entrepreneur in residence for Nashville-based [Claritas Capital](#) and founder of FLO{thinkery}, said investing in digital media has largely been overshadowed by health care deals but that the trend is changing.

"Whereas 10 years ago, a digital media opportunity was a rarity, you're seeing it all over the place now," said Montgomery, who was a board member of StudioNow. "The market is becoming more and more diversified."

Montgomery also was founder of Echo, a consumer delivery and data management company that was bought by [Ticketmaster](#) for about \$25 million in 2007.

The definition of digital media could differ depending on whom you ask, but for the most part, it involves an electronic medium performing a data storage or transmission service that augments video or art production.

The presence of a powerhouse music industry has led to the creation of several startups following in the footsteps of StudioNow and Echo, and business leaders believe the sector is positioned to help out other markets, such as health care.

“It’s a growing category for us in Nashville,” said Michael Burcham, president and CEO of Nashville’s Entrepreneur Center. “We have new startups in the space, we have growing companies in the space and we’ve had mergers and acquisitions. Music has been an easy (application) because we’re used to songs and videos.

“But with health care, digital media can help teach nurses, share new technologies with surgeons and extend services to rural areas. Digital media has an education and teaching component that can serve many industries. While it’s not necessarily as sexy as music might be, it’s equally as profitable — if not more profitable — because of the multiples that are driven out of the health care space.”

King agrees. “There’s a lot of peripheral applications that can build value. They might not be \$100 million value companies, but they can help hospitals manage information better, for example,” he said.

Burcham points to several promising startups, including Nashville-based InQuicker, which is marketing an online check-in tool for emergency rooms or urgent care centers to help medical sites better manage traffic flow and allow patients to be seen more quickly.

“Although Nashville is a health care heavy town, digital/social media is a growing industry that is generating buzz,” said Burcham. “With the rise of smart phones, tablets, mobile apps and increased access to the Internet with more bandwidth, digital is more popular than ever.”