疫情下的硅谷Austerity in Silicon Valley 20200618

The next garage

The crisis has hit tech’s **spiritual** home hard, but it is already planning ahead

Firing somebody is hard under any circumstances.But doing it over a video call is **brutal**.“It’s not the best **environment** for this, with people at home and kids in the background,” observes Marwan Forzley, the boss of Veem,a startup based in San Francisco which allows firms to **transfer** money cheaply. He recently had to let go 30 of its employees.

Mr Forzley speaks for many in Silicon Valley. The largest American tech firms may be the winners from a **global** **pandemic**. Demand for their online services has exploded among people and businesses in lockdown. But many startups in tech’s heartland are hurting. Hardly a day goes by without news of more lay-offs and firms going out of business. Yet amid the doom and gloom, **venture**-capital (vc) firms and entrepreneurs are already doing the thing they believe they do best: divining the future in their **crystal** balls.

Californian tech firms and their financiers were among the first in America to take the **threat** of coronavirus seriously.Some **venture** capitalists began refusing to shake hands at the beginning of February (and were ridiculed for it).

The moneymen also moved quickly to “triage” companies in their **portfolio**, classifying them according to how likely they were to **survive** and what they should do. Mostly this involved letting people go.“The shocking thing is how fast everything has moved,” says Marco Zappacosta, who runs Thumbtack, a marketplace for local professionals from plumbers to dog trainers, which laid off 250 of its 900 employees.

Definitive figures are hard to come by.When big firms cut back it makes the news.Airbnb and Uber recently **announced** they would let go 1,900 and 3,700 workers respectively.Layoffs.fyi, a website that **tracks** dismissals in the tech industry by adding up numbers from press reports, has **counted** about 17,600 jobs lost since mid-March. But this misses many sackings at smaller startups.Although still well below the national average and the peak during the financial crisis of 2007-09, **unemployment** in the region is edging up.

Some vcs expect workforces to shrink by 15% on average, adding up to total job losses in **excess** of 125,000.

Yet Silicon Valley's denizens are not ones to dwell on bad numbers. vcs are scouting for **promising** firms whose valuations have dropped and which need fresh capital. Investments in America are only down by 25% compared to before the **pandemic**, according to PitchBook, a data provider. For startups with cash in the coffers, it is an **opportunity** to **scoop** up weaker rivals. On May 12th it emerged that Uber, a shrinking ride-hailing service with a growing meal-**delivery** arm and $9bn in the bank, is seeking to **acquire** GrubHub, which also delivers food. A few days earlier Uber led a $170m funding round in Lime, an ailing startup that rents out electric scooters and bicycles. Expect more such deals—and more criticism that the likes of Uber are trying to use the **pandemic** to monopolise markets.

Silicon Valley's leading vc firms are also trying to seize new opportunities. More than one sees the tech industry's sweet spots moving from services that **cater** to consumers and **involve** the physical world, such as electric scooters and online ticketing, to offerings for business that are delivered virtually, including specialised webbased software and digital infrastructure.

Much of the **venture** capital **flowing** in recent weeks has been aimed at deeply **technical** targets, such as Confluent, which manages **corporate** data. The firm raised $250m in April. Startups in telemedicine and online education are also doing well. And business is improving for some firms that had looked less **resilient** to the **virus**, such as Veem and Thumbtack. Firms want to move money cheaply and people stuck at home are planning to give their nests a makeover, driving demand for local services.

Looking further forward, the **debate** now revolves around how the **pandemic** will change Silicon Valley—and with it much of the tech industry. The crisis will **accelerate** existing trends. The Valley will continue to **spread** out, reckons Randy Komisar of Kleiner Perkins, another vc firm. Even before the **virus** hit, an **exodus** of sorts was under way. Exorbitant **property** prices, near-**permanent** traffic jams and the jarring number of homeless people have pushed a growing numbers to leave.

Startups have been moving away or have become “fully distributed”, with only their most important employees living in San Francisco and the rest **spread** across the world. Such dispersion is likely to speed up if a **consequence** of covid-19 is that working remotely becomes the **norm**. It looks likely. Big Silicon Valley companies, including Facebook and Google, are letting employees work from home until the end of the year. Twitter says they can do so indefinitely.

Another question is whether **venture** capital, Silicon Valley's lifeblood, will go virtual and distributed as well. Some hope that the crisis will **disrupt** what Pete Flint of Nfx calls the “**archaic** world of **venture** capital”. In April, his firm launched an online service where startups can input the information that investors want, from founders' biographies to business plans, and then get a **decision** on funding within nine days.

Silicon Valley may no longer be the only place that matters as startups hunker down in cheaper locations with fewer distractions. Frontier is one such firm. It has decamped to Vancouver to build a marketplace for **remote** workers. It was founded a few months before the **virus** struck and got its first funding a few weeks ago. Elliot O'Connor and his co-founders are holed up in an Airbnb, using DoorDash and other **delivery** services to feed themselves. It feels like working in the proverbial garage, he says—not in the Valley, but of the Valley.