

The Future Forerunners; Fund VI \$1B

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Today we're announcing our new \$1B raise, including a \$500M vehicle for early-stage investing, and a \$500M vehicle for growth.

At Forerunner, we spend most of our time thinking about the future—how the world will change, who the consumer will be, and what technology we'll need to meet tomorrow. As much as we're energized by what's ahead, milestones—a new year, a new fund cycle, and in this case a new decade—present an opportunity to reflect. In July, Forerunner will celebrate its 10th year in business. As we pause to consider where we were and where we aspire to go—as a firm, and as a culture—we are struck by the radical shifts we've witnessed while noting that the pace of change is likely to be even more profound in the years ahead.

In 2012, Forerunner debuted with a modest fund and an initial team of two. At the time, legacy businesses were still category leaders. Department stores like Barneys, Lord & Taylor and Neiman Marcus, as well as big-box retailers like Kmart and Sports Authority, peppered the U.S.; they were frequented by millions and arguably the best place to engage a knowledgeable salesperson. 24 Hour Fitness had over 400 locations across the country (that would soon be up for sale). Hotels like Marriott and Hilton were the default lodging options. Blockbuster operated 1,500 locations, and 200 million physical CDs were purchased that year. *The New York Times* had a circulation of 1.6M for its weekday edition, as the publication's digital subscription had only debuted one year prior. There were 100M pay TV subscribers using services like Comcast and AT&T. Many of us still maintained a landline. ExxonMobil had just lost its crown as the world's most valuable company.

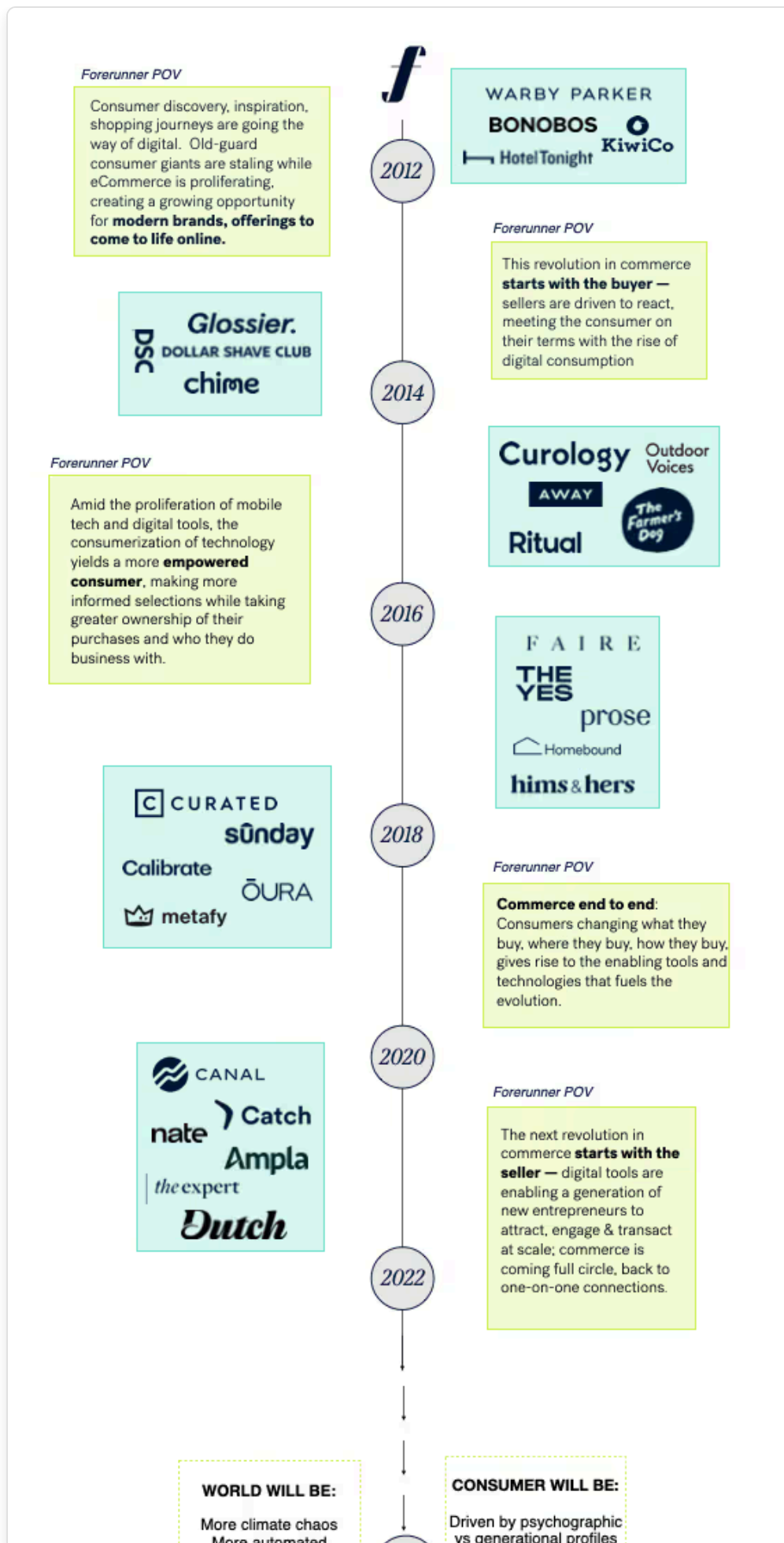
The incumbents still had market and mindshare, but huge cultural shifts were brewing, as the opportunity to connect and transact online at scale was rapidly emerging and evolving. With tech becoming ubiquitous, infiltrating more of our daily lives, the potential to meet human needs in modern, efficient ways felt endless; the digital revolution was well underway.

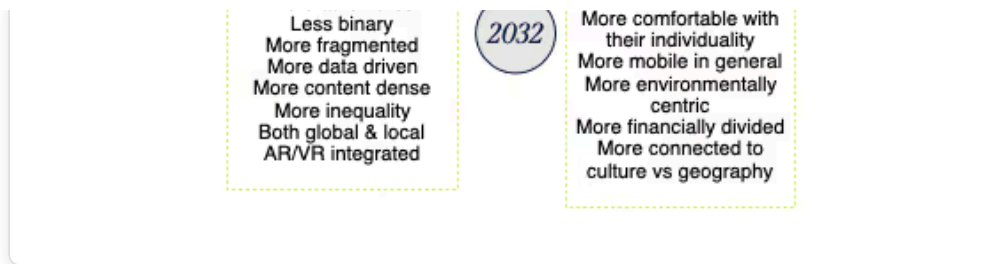
U.S. e-commerce sales hit \$225B in 2012, growing 15% year over year. Amazon had just notched 10 million Prime subscriptions, and Walmart drew in nearly \$5B in ecommerce

revenue. Spotify had just nabbed 1M paid subscribers in the United States. Digital-first retailers like Warby Parker and Bonobos were pioneering a new way to do business, cutting out the middle agent and building direct relationships with loyal consumers. A relatively-niche 40 million users had adopted Instagram, and Netflix had just split off its DVD subscription business to focus on something more promising-streaming. That same year, ByteDance, Peloton, Instacart, Affirm, and Chime were founded to offer tech-enabled solutions to consumers who needed *more, different, or better* options, and Apple became the world's most valuable company for the very first time.

Fast forward to the present, and smartphone sales have more than tripled in 10 years—from 472M in 2011 to 1.54B in 2021. Digital innovators have surpassed their legacy counterparts as fully-scaled category leaders. Amazon now serves over 200M Prime customers and carries a \$1.5T market cap. Spotify and Netflix have completely disrupted the way we consume media, eliminating the need for clunky discs. Airbnb has 4M hosts worldwide with a market cap that of Marriott and Hilton combined. Social media has become ubiquitous; Facebook has 2.9B users, Instagram now has 1B, and TikTok's 1B have made ByteDance the most valuable private company in the world. In 2022, owning a Peloton is as common as having a gym membership. Cable subscribers are shrinking rapidly while YouTube and Hulu beef up alternative TV offerings.

Since our earliest days investing, we have been tracking this evolution every step of the way, with a particular eye on the user, the consumer: our *muse*. We map business potential to the evolving needs, preferences, and potential of people. We continue to look for areas where new markets are emerging, or existing ones are being reimaged. We look for categories where new tools, technologies, or behaviors can enable better business models that offer more access and reach. We track consumer values, and predict how that affects the way they choose to engage and transact. This focus has inspired us to invest accordingly.





While adoption and business progress over the last decade has been exponential, as we look to the future we see ever more significant potential. Potential for companies to leverage agile software to move swifter, to scale fluidly into adjacent areas, to be buoyed by new paradigms in consumer preferences, priorities and possibilities, to extend their reach across borders, to address new concerns and growing needs. As Forerunner announces a \$1B Fund VI, including a \$500M vehicle for early-stage and a \$500M vehicle for growth, and celebrates our 10th year of operation, we have our attention focused toward what the next 10 years will bring.

The Future Consumer

The pandemic has served as an accelerator of online access, fast-tracking us to a world that's more informed and more connected than ever—via DMs, Messenger, SMS, WhatsApp, Telegram, Slack, Zoom and Discord—with digital fluency extending across demographics. From Instagram to TikTok, Facebook, to Twitter, social media usage across platforms increased by ~30% in the first months of the pandemic, and has continued climbing to higher levels since.

We're seeing the rise of the side hustle—50% of millennials now have one, and Gen Z is just as entrepreneurial—and witnessed thriving careers take off on social media. Substack has garnered 1M paid subscribers in just five years, as journalists and columnists have flooded the platform. Patreon boasts 250,000 creators and a \$4B valuation, and the average number of views on a TikTok posted by Addison Rae regularly doubles or triples the number of subscribers to *The New York Times*. We're also seeing the rise of crypto and Web3, reaching outside the earliest adopter circles and making its way into mainstream use cases. In January, OpenSea surpassed \$5B in monthly transaction volume. According to a Forerunner survey, 22% of respondents purchased an NFT last year and another 30% are seeking their first purchase or looking to add to their collection. There is so much potential to meet an evolving consumer's needs in the next era of digital.

Who is the next-gen consumer? This is a topic we obsess over. In 2032, the population will be even more fragmented. The latest Census revealed there is no ethnic majority among children growing up in the United States, and media is finally beginning to reflect this diversity: BIPOC actors now make up nearly 40% of film leads, and women account for almost 48% of starring roles, growing four- and two-fold respectively over the last 10 years. Niche communities are forming on platforms like Roblox and Clubhouse, and 26% of Facebook users' most-frequented group revolves around a hobby. The world will be more data-driven, more content-dense—the first iteration of Google indexed 26M webpages, whereas today's Google indexes over 130T—and more automated than it is today. There will most likely be more inequality and more financial bifurcation, with millions of U.S. jobs displaced by technology, and a growing percentage of the wealth owned by a shrinking percentage of the population. The climate will become more chaotic and its problems surely more integral to our daily lives.

Though the population will be older, the 2032 consumer is likely to be less generationally defined and more driven by psychographics. The aging process will be different; staying connected and informed will keep the consumer younger for longer. The

world will also be less binary. More people will be comfortable with their individuality, with limitless expression through hyper-personalized products and experiences, both online and off, and a focus on cause-conscious brands that value social responsibility. The consumer will be more connected to culture than to geography. With participation in mindful movement on the rise, and with the cost of mental health expected to reach \$6T by 2030, the consumer will be more focused on holistic wellness.

As web3 and crypto become more ubiquitous, more people will spend via non-fiat currencies and the metaverse will seamlessly blend the consumer's online and offline experience. It's an evolution of what we're already seeing in this digitally-connected world, as tech like AR/VR will continue to take off; Oculus sold nearly 7M units in 2021, and most big tech companies are following suit with their own AR offering. Even more so than today, our online realities in 2032 will be as poignant as our physical ones.

We see the seamless blending of two worlds bearing out in multiple capacities. Digital is merging social and professional life together, too. Today's consumers are no longer just consumers; they are businesses—creating, curating, and coaching their way to financial independence online. In this shift lies an economic empowerment opportunity: Users are willing to pay for access, service, and expertise, and the emergence of Web3 is set to enable more value exchange and efficient payment, only increasing the potential for consumers to monetize.

We're also seeing new paradigms in purchasing. We're just starting to see the rise of digital goods, with ownership and economic interests aligned with the creator—look for more of this in the years ahead. The consumer has been activated, both socially and economically, and is embracing their power; there is information about all kinds of products at scale, and people will be increasingly willing to "vote their conscience" through their spending decisions. The 2032 consumer will spend an increased share on services, and though they still want to buy, they'll do so with a stronger interest in recycling, upcycling, and limiting waste.

The Future Forerunner

Just as the markets and consumers change, so does the investor landscape. The VC ecosystem is more dynamic than ever. In 2012, the year Forerunner debuted, our industry invested less than \$60B globally. 2021 saw a record year for VC funding—\$643B in total, with more than double the number of unique deals compared to a decade ago.

In 2012, Forerunner was one of a few female-founded and led venture capital firms. Though there is considerable room to improve, I'm thrilled to see more diversity each year. According to new data released this month, there were 627 U.S. venture capital and private equity firms majority-owned by women and minorities last year—up 25% from the year prior, and including 175 first-time fund managers.

The pace and potential of innovation has attracted capital across the globe and across disciplines. Today there are accelerator programs and venture studios helping to spin up new companies. There are dedicated pre-seed funds and seed funds competing with large VC funds for the same entry points. There are massive hedge funds leading series A rounds, offering less engagement and the hope of future follow-on funding. More traditional PE investors are flexing their models to invest earlier and in a more collaborative way. At the same time, the pace of change, the pace of business, and the pace of competition continues to reach a fever pitch.

We love innovation. As a founder-led venture firm, Forerunner adopts the mindset and habits of the founders whom we seek to support. We have a constant eye on learning and refining our product, staying nimble, and building. We intentionally maintain a lean team and

thoughtfully focus and engage in everything we do with an eye toward being informed, efficient, collaborative believers. Being a true partner to founders is the core of everything we do. To date, Forerunner has invested in 149 companies, and we were the first investors in 66% of the portfolio. We have worked closely with the vast majority of founders, and have collectively served on over 60 boards.

Forerunner's first decade of partnership with groundbreaking companies is just the start. Like the consumers we address and the businesses we admire, Forerunner is also committed to evolving against the backdrop of opportunity. Our latest \$1B raise enables us to invest at the earliest stages, maintaining a stake in how we support founders and teams shape the future, while also enabling us to invest in later-stage leaders and companies who we recognize as true standouts—changing the game in the areas our team feels most informed and passionate about. This expanded mandate will enable us to further leverage our deep commitment to thesis-driven investing, and in particular, our passion for knowing the consumer and building resources and networks to support companies serving them. Better yet, the more partnerships we forge with stand-out companies across connected and considered themes at various stages, the more dynamic networks we build, the broader our experience becomes, and the more impact we can offer our partners.

We recognize that founders have a growing selection of alternatives when it comes to partnership and access to capital, and in this noisy ecosystem, it feels essential to create an edge both in terms of how you select investments and why founders should choose to work with you over others. Over time, reputations and track records certainly serve to support this goal; we also believe that our focused approach, as well as our commitment to honing a unique point of view and acquiring a related experience set and network, stand to make us uniquely valuable partners to a set of founders and companies. We've leaned into this strategy since day one and remain committed to it.

The best part about embracing a new decade at Forerunner is that this decade starts with a committed team of 14, a trial-tested approach to investing and partnering, a network of founders we consider colleagues and friends, and a tremendous amount of energy and ambition for the future. And of course, a dynamic consumer—our muse, a **forerunner**—who will no doubt continue to inspire change and opportunity in business.