

Small Space, Big Ideas

Start-ups Fueled by DeveloperTown

Michael Coffey is a Northern California guy. He has Napa Valley roots, considers himself a “wino” in the best sense and also worked with tech start-ups in San Francisco. So what would possess him to leave behind the cool breezes of the Pacific Ocean for a landlocked “hot spot” like Indianapolis? For him, it was an opportunity to be a part of Indianapolis’ emergence as a hub for start-ups. To fulfill that vision, he’s now a partner at DeveloperTown, an incubator/accelerator hybrid that’s helping Indiana’s bright minds turn their ideas into reality.



DeveloperTown’s Michael Coffey cites Indiana’s colleges and low cost of living as being key drivers of a coming entrepreneurial boom.

“Is it a new model? I’m of the philosophy that nothing’s new under the sun,” Coffey relays. “Everything’s been tried before, and the concepts of an incubator and accelerator have definitely been done before; we’re kind of a marriage of the two. I think in innovation, as it stands, you’re constantly striving to fit the environment.

“But we have partners who have gone through the blood of starting companies,” he continues. “We understand that one of the biggest financial sucks is development. Those that have companies that they’ve started typically don’t know development, so it’s hard to understand if you’re going in the right direction.”

Seed stage

Michael Cloran, a founding partner of DeveloperTown and veteran of the start-up consulting world, has launched successful companies and became hooked on the process.

“I started a couple companies in 2009 ... and was an adviser to a couple of other start-ups, and realized I was having too much fun and wanted to find a way to do that for the rest of my life,” he conveys. “So I came up with the idea of DeveloperTown and went after some of the people I’d worked with in the past who are absolute superstars. I actually went to some of the guys who are now partners and said, ‘I need someone just like you’ – and those prototypes actually wanted to come on board.”



DeveloperTown will ultimately look like a town within a town.

He contends that expectations must be realistic in order for such an endeavor to succeed.

“We’re the seediest of the seed stage,” Cloran quips. “We invest really early and probably go through 10 deals for every one we want to invest in. But the goal in the next three to five years is to do about 40 deals. Probably 30 of those will fail, six to 10 will be okay and one to four will be superstars. A lot of it comes down to a few big hits.”

Coffey, who is not a designer or developer but was brought in to handle operations, says tempering the adversity is DeveloperTown’s greatest benefit to its clients.

“For the partners here, their passion was to use their experiences with this to help start-ups not have to deal with so much pain,” he offers. “That was the driving factor, but once they got into it, they realized it’s a lot of fun – seeing all these ideas come through. But it’s not always easy; sometimes you have to tell people, ‘Your idea absolutely sucks.’”

DeveloperTown currently has just over 20 paid staffers, and Coffey contends that would likely be capped around 50 if future growth warrants it.

“From a development standpoint, we probably get a new idea every week that’s going to change the world that I need to vet through – and we’ve done no marketing or sales,” he says. “There’s a lot of need out there.”

Clients consist of not only start-ups, but also existing businesses and even multi-million dollar corporations.

“Those (larger) companies aren’t looking for a revolutionary change, but how they can improve something a half percent or so,” Coffey qualifies, adding DeveloperTown also helps established companies consider new revenue streams.

“Typically they’ll look at us and say, ‘Wow, we hadn’t even thought about that,’” he remarks. “And that’s good; that’s the purpose of innovation. Rough them up a little. Make them question what they’re doing and why they want to go in the direction they do. Then you see what starts to come out. That’s what’s fun.”

Going to town

DeveloperTown itself is housed in a warehouse in Broad Ripple village. While strolling through, a visitor is greeted with small, multi-colored houses that serve as individual offices in the town – and its buildings and ideas

are constantly under construction. A two-story house within the facility is being finished, which will allow whiteboard storyboarding on dry erase walls and video capabilities. It will be rented out so other companies can use it. The town’s proximity to the Monon Trail will also be a feature, as glass doors and a deck will be included for patrons to enjoy the outdoor experience.

Passersby will also play a role. A mobile unit will allow random Monon walkers to be chosen to test products, while local art will be displayed on the building’s exterior along the trail.

And what town would be complete without a mascot?

Visitors are welcomed by “Digby,” a designer’s retriever that roams the grounds, politely reminding staffers of his willingness to dispose of apple cores.

A ping pong table is also part of the neighborhood, and algorithms have been developed to determine who is actually the best player in the facility. The volume of the bouncing balls is juxtaposed with the serenity inside of Speak Easy – a collective located next door that serves as a collaborative environment for visionaries who prefer joining forces with like minds. Speak Easy has its own executive director and local beer on tap, but Coffey champions the space as a key asset to the building and the entire entrepreneurial community.

“It’s a nice place where we can all kind of link arms and say, ‘We believe,’” he says, as if reinforcing a mantra.

How it works

DeveloperTown, born in 2010, was partner-funded. Now, the organization works to cover costs and then provide profit-sharing with employees.

“One of the cool things that has always intrigued me – and this will evolve – is that our employees can get equity in the start-ups they’re working on,” Coffey notes. “So the ability for somebody to diversify their investment portfolio is tremendous.”

When listing some of the companies DeveloperTown works with, Coffey conveys his enthusiasm about Localstake. It’s a new online crowd funding resource, working to link local investors with local businesses looking for capital. Localstake’s web site reports the company strives to make the capital raising process “more efficient, engaging and social.”



Individual offices house different start-ups – each one in development and hoping to make a major impact.

“Not coming from the tech industry or having backgrounds in web development, DeveloperTown has been our technical co-founder,” explains Localstake co-founder Kevin Hitchen. “It’s been a tremendous asset for us, helping us with everything from web development and strategy to technical interviews of potential employees.”

Emerging successes

“From a business standpoint, if you look at the Silicon Valley 15 years ago, or Boston about seven years ago, and you look at where they were and the tipping points, you’re starting to see the same tipping points here,” Coffey asserts. “You also see some California (venture capitalists) who are starting to look outside of California.”

Coffey also touts the success of Verge – a networking club for entrepreneurs and thought leaders led by Matt Hunckler – as a barometer for the city.

“It began about one and a half years ago and I wanted to see if people were going to jump in and be involved with that,” he states. “Now they have 1,500 members and events across the city, and expanded to Bloomington and West Lafayette. You have these people who are creative and artistic and good at what they do. You have the state showing a transition from not just med(ical) device to the tech side, and now we have some technical IPOs coming out of here: ExactTarget, Angie’s List, etc.”

Coffey contends emerging initial public offerings infuse capital into young hands.

“You’ll have a couple millionaires overnight who will be tech-minded,” he offers. “You’re also getting more investors – on the angel side and bigger investors – wanting to transition and diversify their portfolios.”

DeveloperTown is also in conversations with some Indiana high schools and colleges about getting in the classroom and helping students bring ideas to life. Coffey argues that parents need to change the way they think about their child’s education when it comes to entrepreneurship.

“I actually want to focus on putting on a program geared toward high school parents – letting them know if your child decides to be an entrepreneur after college, that’s not a waste of your money,” he claims. “It’s actually probably the best investment of your money.”

Both Coffey and Cloran laud Indiana’s family-friendly atmosphere as being a key draw for young parents.

“From a family standpoint, you can’t find better school systems, and the cost of living is freaking ridiculous,” Coffey beams. “There’s a lot of good places to live here. The people here are phenomenal; they are genuinely kind and good-hearted and want to be a part of your life. For the transplants that come here, it’s like we’re trying to convince the people who have always been here, ‘You actually live in a cool place. It’s something you can be proud of.’ ”

INFORMATION LINK

Resources: Michael Cloran and Michael Coffey, DeveloperTown, at www.developertown.com

Kevin Hitchen, Localstake, at www.localstake.com



The Speak Easy collaborative allows bright minds to work through ideas over wine or local brew. DeveloperTown’s proximity to the Monon Trail will permit the display of local artists’ work to passersby.