



Billionaire Pritzker Brothers Choose Chicago's SMS Assist For Biggest Venture Investment

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Traditionally the Midwest has come up with more good business ideas than venture capital funding to support them. Billionaire J.B. Pritzker hopes to help change that, and he took a small step in that direction Tuesday by announcing a \$45 million investment in SMS Assist, a Chicago-based company that uses technology to match gritty blue collar workers with Fortune 500 companies who need their services.

Together with a \$17 million investment two years ago, J.B. Pritzker and his brother Tony now have \$62 million behind SMS Assist, most of any of their venture investments.

“Companies who are in the Midwest are flying out to the coasts because they need to find capital,” said J.B. Pritzker. “We are stepping into, if not a void or vacuum, we’re stepping into a space you’ve identified where there’s real opportunity.”

The Pritzkers still have more venture money invested outside of the Midwest than in it. A quarter of their investments is in Silicon Valley, 30% is in the Midwest and 45% is dispersed throughout the rest of the country. Their future investments will also be spread throughout the country, J.B. Pritzker said. But compared to other venture capitalists, the Pritzkers’ money is more likely to end up at companies in the Midwest.

The Midwest has produced about 18% of the country’s patents in the last five years, according to the [U.S. Patent and Trademark Office](#). But only about 7% of the nation’s venture capital has gone to the region, according to [PriceWaterhouse Coopers](#). That gap suggests that Midwesterners are starting fewer businesses not because they don’t have good ideas but because they don’t have rich investors near them who will support those ideas.

One investment won’t do much to close that gap, but the Pritzker brothers are just the sort of people the region needs. As two of 11 heirs to the Hyatt Hotels fortune, they are

worth an estimated \$3 billion (as of September), and they fund their Pritzker Group Venture Capital out of their own pocket.

The Pritzkers changed the name of their group from New World Ventures to Pritzker Group Venture Capital a week ago. Along with the name change, they also announced that would be add more companies in the pre-IPO stage to a portfolio that had previously focused on early-stage ventures.

That's encouraging news for entrepreneurs in the Midwest, who can often raise early funds close to home but have to head to New York or Silicon Valley for later rounds of capital.

"This is a great example of the larger, later stage investing that we're adding on to what we've traditionally done," J.B. Pritzker said. "The company is doing extremely well."

SMS Assist is an old school, hands-dirty business with a digital age twist. Traditionally, Fortune 500 companies have local store managers hire contractors to do the dirty work at their facilities, like landscaping, window cleaning and snow plowing. But SMS Assist signs massive contracts with Fortune 500 companies, some of which total over \$100 million, to handle companies' maintenance needs around the country.

SMS Assist also works with local contractors, offering them jobs at several different stores that are close to one another. The workers get an efficient way to pick up jobs, and the Fortune 500 companies save 10-20% on maintenance costs while getting to pass on the worry about who's going to shovel their parking lots and clean their floors.

It's all managed through an online program that allows workers to find jobs and businesses to see where they are spending money on maintenance. SMS Assist has 220 employees in Chicago, another 120 in northwestern Indiana and a team of computer programmers in China.

"You wouldn't think a facility maintenance company would have 75 IT code writers," said Michael Rothman, CEO of SMS Assist. "That's our secret sauce, is our ability to code so quickly."

The computer platform has allowed the company to expand quickly without too many growing pains. It now works with 28,000 contractors and does maintenance for 50,000 facilities owned by about 50 corporations like Best Buy and Office Depot. The company had roughly \$2 million in sales when Rothman bought it from his brother in 2003. Over the last five years, it has grown at an average annual rate of about 80%. This year, it will

have revenues of nearly a quarter billion dollars. In three or four years, Rothman expects to be running a billion-dollar operation.

But in order to do that, he needed some extra capital in the short term. Fortunately for him, he already had a prior investor eager to bet more on the company.

“A lot of people saw us as sort of a local, Midwest thing,” Rothman said. “The Pritzker Group is building an ecosystem in Chicago—for jobs in Chicago because this is J.B.’s passion—and they’re trying to compete with Silicon Valley and the East Coast.”