

European Startup Monitor 2016

Country Report Austria

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Vienna, November 4, 2016

Introduction

Innovative startups have become an important driver of job creation, innovation and economic growth throughout the world. So far there has been little profound data on the startup phenomenon, particularly in Europe. Most statistics rely on small samples, estimations or include all foundations of businesses without specifically focusing on startups.

To fill this gap the European Startup Monitor (ESM) was initiated in 2015. The ESM only selected businesses with the following characteristics to participate:

- younger than 10 years,
- featuring an innovative technology and/or business model, and
- striving for a significant growth in revenue and/or number of employees.

A venture qualifies as a startup for the ESM when the first point of the definition above is met, along with one or both of the other two characteristics.

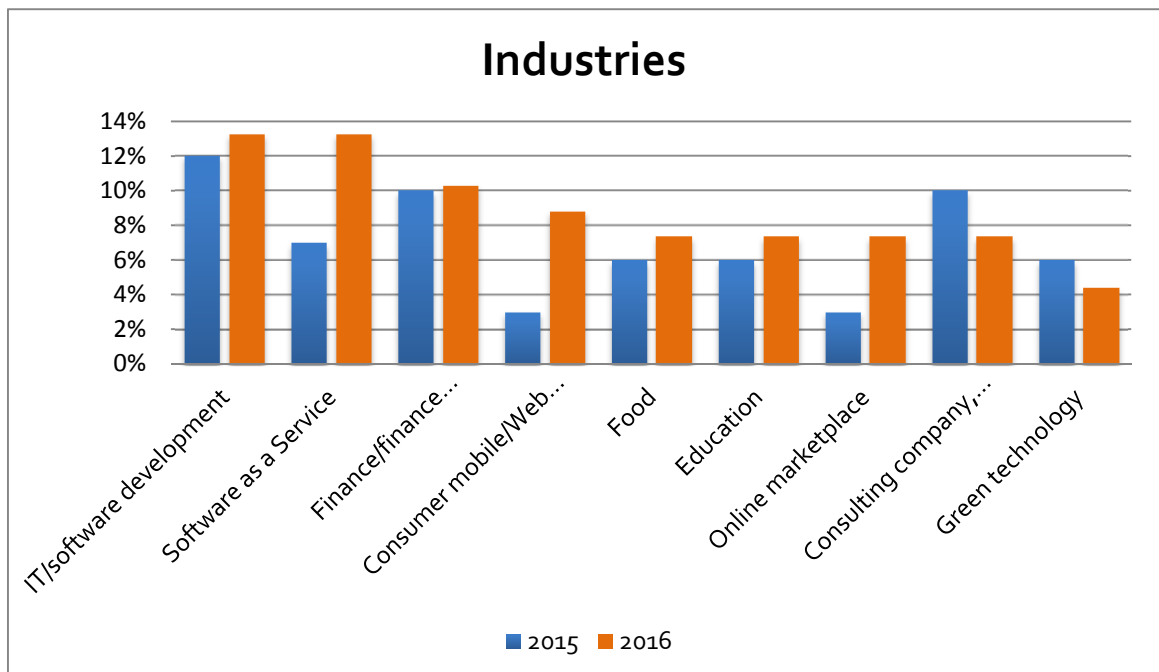
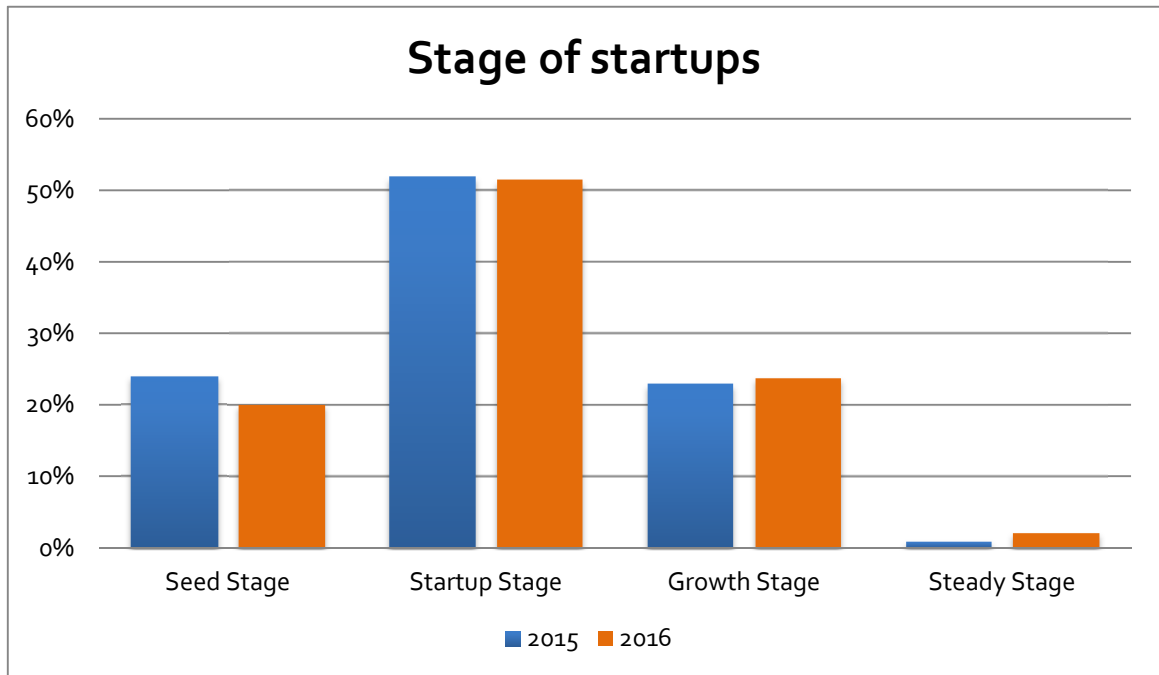
The report at hand presents data from the second ESM data collection in 2016. The ESM 2016 includes data of 2,515 startups involving 6,340 co-ounders and 23,774 employees from 18 countries (Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Netherlands, Poland, Portugal, Slovenia, Spain, Switzerland, United Kingdom).

The study at hand presents the specific analysis of Austrian startups taking part in the European Startup Monitor 2016 (n=134). It is structured as follows:

- Main findings
- Founders and teams
- Industry, customers and markets
- Employment
- Financing
- Economic situation, challenges and expectations

Main findings of the European Startup Monitor 2016 for Austria

- The average founder of a startup in Austria is male (92.9%; 2015: 84.5%), 30.8 (2015: 31.6) years old, Austrian citizen (67.8%; 2015: 80.8%) and starts the company in a team of 2 to 3 people (average time size: 2.34 (2015: 2.55)).
- More than one third of the Austrian founders (40.7%; 2015: 39%) have already started at least one company before their current venture and 17.8% (2015: 20%) can even be regarded as serial entrepreneurs with two or more previous ventures.
- 15.6% (2015: 11.6%) of the experienced entrepreneurs completely sold (exited) their former companies. 21.9% (2015: 14.9%) of previous business operations were discontinued; either voluntarily (15.6%; 2015: 11.6%) or due to insolvency (6.3%; 2015: 2.3%).
- The average age of an Austrian startup is 2.31 (2015: 2.19) years and has created almost 9 (2015: 7) jobs on the average (including founders). One third of the employees (28%; 2015: 25.4%) are non-Austrian citizens.
- Vienna is Austria's main hub for entrepreneurs. Half of the startups (50.7%) are located there. The remaining 49.3% are distributed equally among the other federal states.
- 20.1% of the startups are in the seed stage (2015: 24.1%). The majority is in the startup stage about to complete a marketable product and already generating first revenue (51.5%; 2015: 51.7%). Another 23.8% are in the growth stage (2015: 23.3%).
- Almost every founder invested his or her own money (85.5%; 2015: 89.9%). Governmental funding and subsidies were the most often used external capital sources 55.4% (2015: 48.6%). One fifth got support from business angels (20.5%; 2015: 23.9%) and another 30.1% were supported by incubators, company builders or accelerators.
- Nearly two thirds of the startups in this study (60.4%; 2015: 44%) regard themselves as part of the Digital Industry. Participants were asked which markets they addressed. The majority of startups in this study 52.6% (2015: 67.8%) categorize their business as B2B (business to business).
- 53.3% (2015: 48.2%) are offering products/services that represent an global innovation. 76.9% (2015: 77.1%) of the startups have already entered international markets.



Founders and teams

- *Gender:* 92.9% (2015: 84.5 %) of the Austrian startup founders are male, while 7.1% (2015: 15.5%) are female. The share of female founders in Austria is below the overall ESM percentage (14.8%; 2015: 14.7%).
- *Age:* The average age of a founder in Austria at the time of the foundation of the startup is 30.8 (2015: 31.6) years. 74.6 (2015: 67.5%) of the founders responding to this survey are 35 years old or younger. Female entrepreneurs taking the survey are younger than male founders (28.1 vs 31.1; 2015: 27.5 vs. 31.9 years).
- *Team size:* The vast majority of both male (81.1%; 2015: 79.6%) and female founders (85%; 2015: 88.9%) answered that they started their venture as part of a team. On average they start their company with 2.34 people (2015: 2.55).
- *Residency:* 32.2% (2015: 19.2%) of the founders are non-residents. 79.5% (2015: 72.3%) of the non-Austrians are citizens of other EU countries.
- *Previous startup experience:* Almost two-thirds of the surveyed founders are first time founders (59.3%; 2015: 61.9%). 22.8% (2015: 19%) of the founders had started one company before and another 17.8% (2015: 19.8%) state, that they had previously founded even two or more startups. Among the experienced founders, 15.6% (2015: 11.6%) had sold their prior companies completely. 34.4% (2015: 57.1%) are still holding shares in their former companies but are no longer involved in the operations. 21.9% (2015: 14.9%) of previous business operations were discontinued: either voluntarily (15.6%; 2015: 11.6%) or due to insolvency (6.3%; 2015: 2.3%).
- *Consequences of failure:* The founders were asked what they would do if they failed. 60.3% (2015: 65.1%) of the respondents indicated that they would found another startup in case of failure, while 23.5% (2015: 14%) would work as an employee. Only 10.3% (2015: 16.3%) responded they would work as a freelancer or consultant.
- *Future Outlook:* Considering their future and the future of their startups, the vast majority (88.8%; 2015: 73.4%) of founders regard it as likely or rather likely to remain in the company. However, 75% (2015: 56%) of the founders regard it at least rather likely to sell parts of their startup within the next ten years.

Industry, Customers & Markets

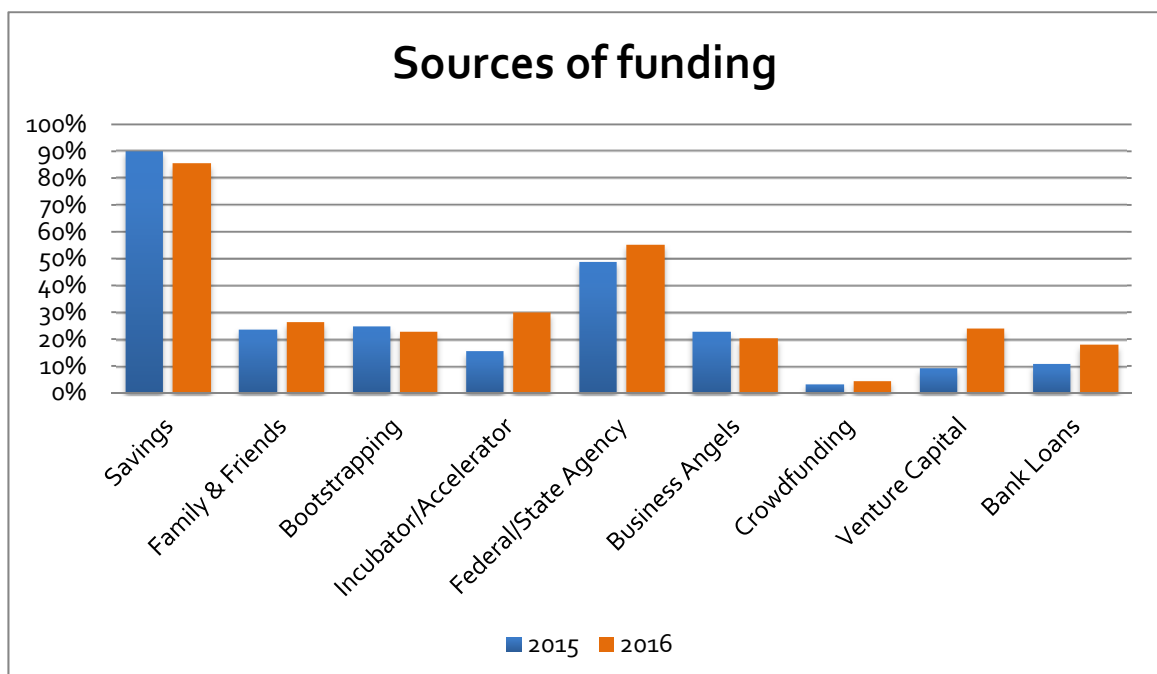
- *Industry:* Nearly two thirds of the startups in this study 60.4% (2015: 44%) are related to the Digital Industry. The most prominent areas are Software as a Service 17.2% (2015: 11.2%), IT & Software Development 14.9% (2015: 10.4%) and Consumer/Mobile Web Application 8.2%.
- *Novelty:* Novelty is a crucial feature of startups. Therefore participants were asked to rate the degree of innovativeness of their products and services with regard to the regional market, the country of residence, the EU and the global market. Almost 3 out of 4 of the startups rated their products/services as novel across the European or global market. 53.2% (2015: 48.7%) stated that their startup represents a novelty in the global market. Another 16.8% (2015: 19.5%) and 4.7% (2015: 12.4%) of the startups were rated as representing an innovation across the EU or Austria. 11.2% (2015: 10.6%) stated that their startup does not comprise any novelty.
- *Customer groups:* The majority of startups in this study (52.6%; 2015: 67.8%) categorize their business as B2B (business to business).
- *Current markets:* 76.9% (2015: 77.1%) of the startups are selling (parts of) their products/services outside Austria. 96.7% of them are delivering to EU-memberstates, 22.2% to North America, 10% to Asia and 7.8% to Australia.
- *Future markets:* Almost 9 out of 10 startups are planning further internationalization in the next 12 months 86.3% (2015: 88.6%). 84.6% (2015: 48%) are planning to expand to other European countries and 39.3% (2015: 40.7%) want to serve Asia or North America within the upcoming year.

Employment

- *Current employment:* The startups participating in this study are currently employing 6.4 people (2015: 4.95) on average (excluding founders). Adding the average number of founders, the startups account for a gross impact on employment of 8.7 (2015: 7.5).
- *Planned recruitment:* Almost three quarters 71.6% (2015: 91.8%) of the participating startups from Austria stated that they are planning to hire additional employees over the next 12 months. On average, they plan to add 4.1 jobs (2015: 5.5) in the next 12 months.
- *Citizenship of employees:* Most 67.9% (2015: 74.6%) of the employees working for the startups are originally from Austria. 17.7% have the nationality of an EU country and 8.3% of a non-EU country.
- *Job training:* Next to full-time jobs, 48.5% of the Austrian startups are providing jobs for interns or students as well. On the average, 0.6 (2015: 1.4) interns and 1.1 (2015: 2.1) student workers are employed by the startups in this study.

Financing

- Sources of financing:* Almost every founder invested his or her own money (85.5%; 2015: 89.9%). Governmental funding and subsidies were the most often used external capital sources 55.4% (2015: 48.6%). One fifth got (partly) funded by business angels (20.5%; 2015: 23.9%) and another 30.1% (2015: 15.7%) were supported by incubators, company builders or accelerators. 28.4% of the startups financed their startups exclusively with their own savings. A quarter received money from friends and family 26.5% (2015: 24.2%). 24.1% (2015: 10.1%) of the respondents were supported by Venture Capital. Bootstrapping (22.3%; 2015: 25%), bank loans (18%; 2015: 11.1%) and Crowdfunding (4.8%; 2015: 3.7%) are less frequently used sources of funding.
- Planned raising of capital:* 77.8% (2015: 74.3%) of the startups are planning to raise external capital over the next 12 months, based on their budgeting. 22.2% (2015: 31.9%) are planning to raise financing up to EUR 150,000, 22.2% (2015: 31.9%) between EUR 150,000 and EUR 500,000, 11.1% (2015: 14.9%) between EUR 500,000 and EUR 1 million, and 22.2% (2015: 21.3%) more than EUR 1 million.



Economic situation, challenges and expectations

- *Revenue:* Most of the startups that had already completed a full fiscal year have also generated revenue (82.1%; 2015: 87.8%). 8.9% (2015: 20.8%) generated up to EUR 25,000. Another 10.7% (2015: 3.7%) of all ventures had revenue of between EUR 25,000 and EUR 50,000. 16.7% (2015: 17%) generated between EUR 50,000 and EUR 150,000. Another 26.8% (2015: 24.5%) had an annual turnover of more than 250,000 EUR.
- *Present business situation:* To assess the prevailing business climate in Austrian startups, participants were asked to rate their current and future business situation. A large majority of founders indicated that their present business situation is good (29.2%; 2015: 38.5%) or satisfying (62.2%; 2015: 57.1%)
- *Future business situation:* The outlook for the future business situation is very positive for most Austrian startups, as 77.5% (2015: 73.6%) rate it as positive and another 20% as consistent.
- *Challenges:* The most frequently cited category was sales and customer acquisition (62.8%; 2015: 61.3%). Managing growth (50% 2015: 34.9%), product development (44.2%; 2015: 49.1%) and raising capital 33.7% (2015: 39.6%) are representing further challenges.
- *Expectations from politics:* Participants were asked what they expect from politics regarding their entrepreneurial activities. Financial support (tax reductions/relief; support with raising capital and venture capital) was the most frequently named expectation (45.4%; 2015: 38.3%). 30.4% (2015: 26.9%) expressed expectations regarding political regulations and bureaucracy (incl. reduction of bureaucracy/regulations; easier recruitment of non-EU citizens). 11.3% (2015: 14.3%) of the founders hoped for more societal support (incl. raising the cultural acceptance for entrepreneurship; establishing entrepreneurship education). 6.7% (2015: 20.6%) expressed a need for social and advisory support (incl. better understanding of the needs of startups; improved exchange between politics, startups and the established economy).

