



The European Seed Accelerator Ecosystem

The following research was carried out by Jed Christiansen, founder of Seed-DB, for Startup Europe's Accelerator Assembly.

The Accelerator Assembly is part of the European Commission's Startup Europe initiative, and it is co-ordinated by Bethnal Green Ventures, Seedcamp, Seed-DB and Startup Weekend, with the support of Nesta, How to Web and Techstars London.



Introduction

The startup ecosystem is an intense, diverse and constantly changing environment. In the last decade, a variety of support systems have emerged, from incubators and accelerators to co-working spaces and investment networks, to back startups along their journeys.

Due to the diverse nature of startups, these support systems have been equally diverse in format and impact. However, the seed accelerator has distinguished itself as a prominent form of support. Originated in the US, the number of global accelerator programmes has grown significantly in recent years, developing a strong presence in Europe. This research aims to give a broader understanding of the accelerator activity in Europe by looking at the available data on both global and European programs.

Research Methods

This paper combined multiple sources of data for analysis. Key quantitative data was taken from Seed-DB, a worldwide database of seed accelerators¹. Additional research was done for accelerators located in Europe to ensure that Seed-DB data captured the full known extent of the European accelerator ecosystem and the companies that have graduated from those accelerators.

An extensive survey was also sent to accelerators; representatives from approximately 20 accelerators (17 of which were EU based) responded. Their responses helped complete the quantitative data sourcing mentioned above, and their qualitative data was also used in the report.

What is a seed accelerator?

Over the past generation, there have been several types of programs that aim to assist and accelerate technology startups. These range from startup incubators, to seed accelerators, to seed-level programs at venture capital funds. But for the purposes of this research, we must define what is and what is not a seed accelerator.

The first seed accelerator, which virtually all programs since have been modeled after to some degree, is Y Combinator. Though specific elements of the different programs change, we can select the characteristics that define an accelerator program.

This was first started in Jed Christiansen's paper "*Copying Y Combinator: A framework for developing Seed Accelerator programs*"², and the definition was fully developed in Nesta's report "*The Startup Factories*"³.

¹ Seed-DB, 2014. *Accelerator Data*. Sourced February 2014 from: <http://www.seed-db.com>

² Christiansen, J., 2009. *Copying Y Combinator: A framework for developing Seed Accelerator Programs*. Available at: <http://www.seed-db.com/about/view?page=research>

³ Miller, P. & Bound, K., 2011. *The Startup Factories*. London: Nesta. Available at: http://www.nesta.org.uk/sites/default/files/the_startup_factories_0.pdf

A seed accelerator includes the following aspects:

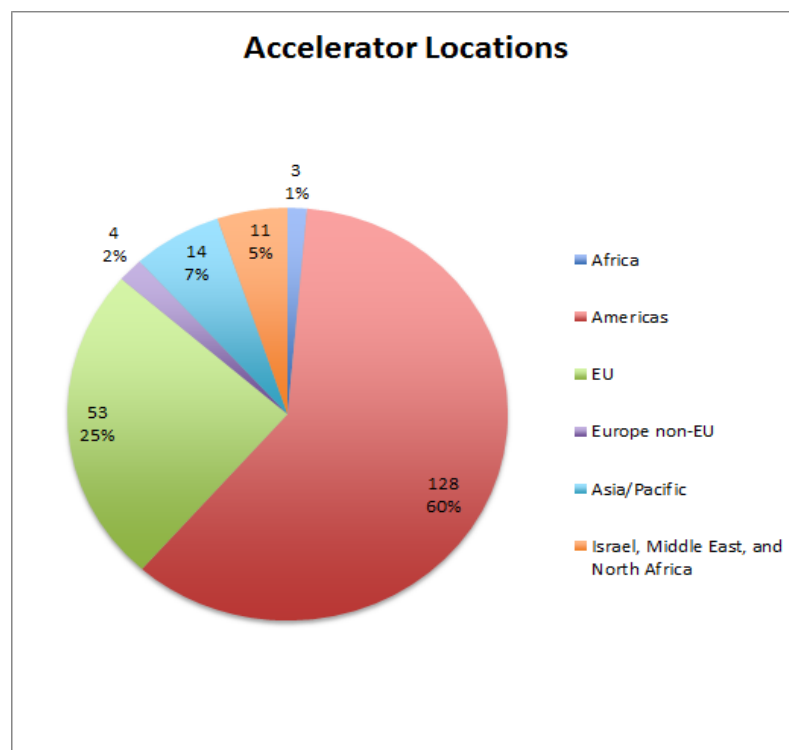
- An application process that is open to all, yet highly competitive
- Provision of pre-seed investment, usually in exchange for equity
- A focus on small teams, not individual founders
- Time-limited support comprising programmed events and intensive mentoring
- Cohorts or 'classes' of startups rather than individual companies

This definition includes widely known seed accelerators like Y Combinator and TechStars, but would not include programs like Microsoft Ventures Accelerators (which do not provide funding) or Founder Institute (which charges startups to participate).

Mapping out global acceleration

Seed-DB tracks seed accelerators around the world, and only seed accelerators that meet the definition above are included in the list. There are likely even more seed accelerators around the world, but either they haven't come to the attention to Seed-DB, or they haven't provided enough public information about their program to verify that it is a seed accelerator by the definition above. However, after nearly two years in operation, Seed-DB covers the vast majority of accelerators worldwide.

Seed-DB has identified **213 seed accelerators**, with **198 of these programs still operating and 15 having closed**. (Of the 15 closed programs, 4 of them were actually transformations, like Springboard in the UK becoming TechStars London.)



The majority of these programs are located in the **Americas (128 of 213, 60%)**.

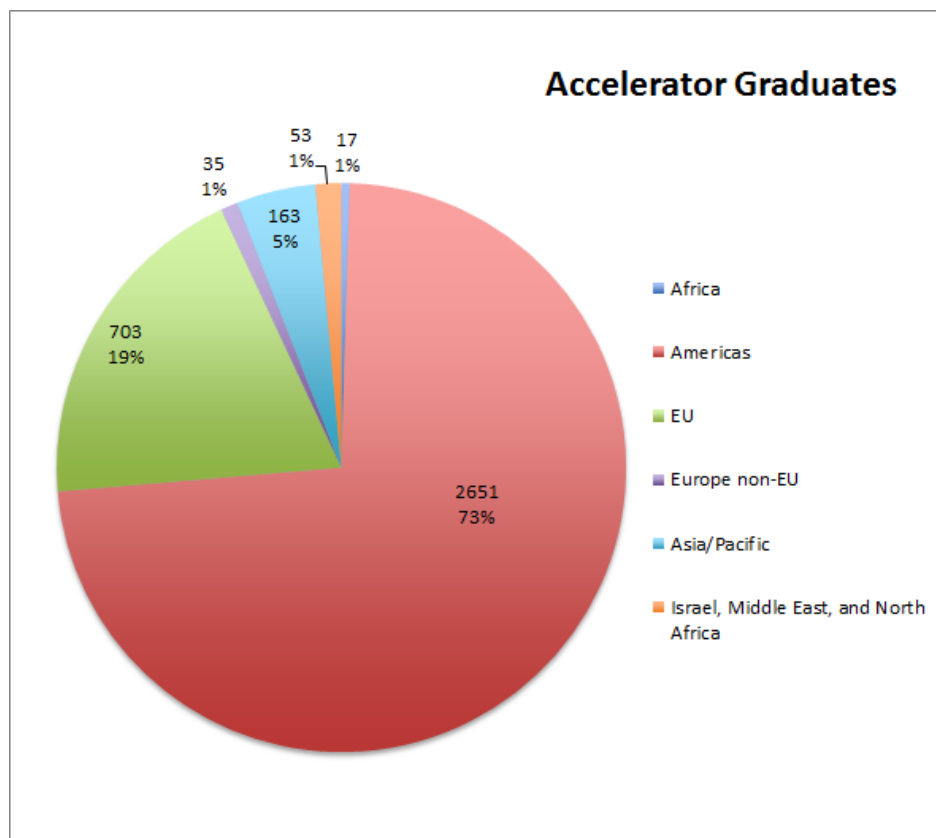
53 of the 213 programs are in European Union countries, with another **4 programs in the European region**, though not in EU member countries.

All of these programs above serve web entrepreneurs. Some programs do aim to specialize, but their specialization is in particular technology markets, like financial technology, mobile applications, or similar.

Graduates from seed accelerator programs

Seed-DB uses a mixture of primary research and self-reporting by accelerators in order to ensure that all graduates of each accelerator program are properly captured by Seed-DB, and in this research. For the purposes of this research, a refresh of all data from European programs was undertaken in order to provide the most accurate picture of the ecosystem. That said, not all accelerators have made their list of graduated startups accessible, so even after this effort there may be some gaps in the data.

There are **over 3600 companies** that have graduated from seed accelerator programs worldwide. The **53 programs in the European Union have funded 703 companies**, and the **4 non-EU European programs** have funded an additional **35 companies**, for a total of **738 companies funded**. Thus **20.3%** of all companies that have been funded by a seed accelerator have graduated from a European seed accelerator.



Since 26.7% of all seed accelerators are European, this implies that accelerators from other regions have graduated more startups per program than European programs. This could either be due to the relative age of the accelerators (assuming relatively constant funding rates), or a higher number of startups per cohort outside Europe.

There is an overall trend with accelerators where most programs accept/graduate approximately **5-15 startups per class or cohort**. This greatly contrasts with Y Combinator, which in the past few years has accepted anywhere from 55-80+ companies per class. (The other notable program with larger class sizes is 500startups, with classes of 25-35 startups at a time.) All of the European accelerators, except Seedcamp, have class sizes of 5-15 startups per cohort. Seedcamp operates on a different model of acquiring and mentoring startups, so it's difficult to compare directly, but even Seedcamp funded less than 40 companies in all of 2013.

Jobs created by startups

Accurately measuring the jobs created by startups is a nearly impossible task. The very nature of these highly dynamic businesses is that they rapidly hire, and sometimes rapidly fire, employees. Seed-DB uses Crunchbase data on number of employees as it's the only scalable source of data for these startups. However, Crunchbase data is largely self-reported, and often simply missing. For example, 67 of 118 startups (57%) funded by Seedcamp have employee numbers reported, or are no longer operating. For the Eleven startup accelerator in Bulgaria, only 14 of 51 startups (27%) have information on employees.

Using the known Crunchbase figures, **the 57 European accelerators have generated 2,034 jobs**. These comprise 14.5% of all jobs tracked by Seed-DB worldwide, which is roughly in line with European accelerators funding 20.3% of all accelerator graduates. This is definitely a lower bound of the range of jobs generated by accelerator companies.

Of the **738 companies funded by European accelerators**, only 286 have Crunchbase data on employee figures, for an **average of 7.1 jobs per startup** with data. If the 452 startups without data have between 3-5 employees per company, this implies there are an additional 1500-2500 jobs that accelerated startups have created in Europe, for a **total jobs contribution of 3500 - 4500 new jobs**.

Startup needs not covered by the seed accelerator

One of the qualitative survey questions asked of seed accelerators was "*What needs do your startups have (either during your program or after they graduate) that you aren't able to cover?*" There was one consistent theme through a number of the programs, and that is getting startups access to ongoing capital.

Access to ongoing capital

Some of the answers included statements like "**Larger exposure to angel, seed and VC networks**", "**Bridge financing to an angel**", and "**Investor contacts. We're always looking to expand our investor network.**".

This could imply that the follow-on funding community of angels and venture capitalists is either not large enough, or not networked enough into accelerators in Europe. However, it could also imply that the quality of the startups from those accelerators has not been sufficiently high to warrant angels and VCs making an effort to find their deal flow from these programs.

Scaling support

The next category of answers to this question involved activities and roles in helping a young startup scale; namely sales and business development. Answers included "**Hiring people. Sales.**" and "**ongoing business development**". This could mean that while an accelerator has a focus on getting a startup's product right, identifying an ideal market for that product, and other key development tasks, there is a need for more sales and business development expertise once a startup has found product/market fit and is ready to scale.

Competition on a national/European/global scale

The qualitative survey of accelerators addressed the nature of competitiveness of their startups. Each accelerator was asked the following question:

"What percentage of the companies you've funded have been competitive on a national[/European/global] scale after they graduated?"

The results highlighted a divide in opinions with regards to startups' competitiveness at a national and European level. Based on this division, we grouped the accelerators into two categories: **the confident group** and **the conservative group**.

The confident group

13 accelerators believed **70-100%** of their startups were competitive at a **national** scale, upon graduation.

The same accelerators said that **50-100%** of their startups were competitive at a **European** level.

The conservative group

The remaining accelerators said that only **10-30%** of their startups were competitive **nationally**, and only **5-20%** at a **European** level.

The bi-modal distribution of answers could imply that the respondents are using different standards for competitiveness. In the case where 90+% of startups are competitive nationally, it could mean that the startup operates at a national level,

despite any measure of market share. Where respondents were more pessimistic about competitiveness, it could mean that they took relative market share into account when making their assessments.

If the more pessimistic figures were taken as more accurate, it means that there is a drop-off in competitiveness of 30-50% when going from a national to a European level of competition.

When asked about competition at a **global** scale, the answers were divided into three groups:

- 2 accelerators still viewed that the majority of their startups (**80-100%**) were competitive at a global level
- 11 lowered expectations to **30-60%** of their startups
- 6 said just **0-5%** of their startups were able to compete globally.

Increasing economic value

Perhaps the most important question is **how many startups increase their overall economic value, and by how much**. It is nearly impossible to come to a precise assessment, but this question was tackled both qualitatively and quantitatively.

As qualitative research, the accelerators were asked for their assessment of the percentage of their startups that had increased their economic value by 3x, by 5x, and by 10x. More detailed data was not requested, as it's extremely sensitive, and some programs were even unwilling to provide this more broadly defined data.

The majority of accelerators assessed the majority of their startups to have increased their value by $\geq 3x$. The common assessment for the majority of accelerators was **50-100% of startups increased their value by 3x**. There was a step-wise decrease to both the 5x and 10x levels. Most programs responded that **20-40% of their startups' values increased by 5x**, and that **5-10% of their startups' values increased by 10x**.

Quantitatively, the funding data from Crunchbase through Seed-DB can be revealing. **145 companies** (of 738 graduates of European programs) have funding data listed in Crunchbase with a **value of $\geq \$50,000$** . The number of companies at or above various funding thresholds are shown here:

Funding Threshold	Number of companies	% of all EU startups
\$10,000,000	3	0.4%
\$5,000,000	7	0.9%
\$1,000,000	24	3.3%

\$500,000	48	6.5
\$100,000	109	14.8%

Again, these numbers should be seen as lower bounds on the number of companies who have raised these levels of funding, since many have not shared their data on Crunchbase to date.

Funding from angels and VCs is not the only way to increase economic value, but it is the most frequently cited method in the media. The more qualitative data from the surveyed accelerators demonstrates that accelerators are regularly increasing the value of the companies they accelerate.

Summary

To date, the overall European accelerator ecosystem consists of **57 accelerators**, **which have graduated 738 startups**. These startups have created **3500-4500 new jobs**.

Between **350-700 startups** have increased their economic value by **3x or more**, and an estimated **30-60 of those startups** have increased their economic value by **10x** or more.

While there is a good start to an accelerator ecosystem in Europe, it is still dwarfed by the number of accelerators, startups, and funding for the startups that has been built in the Americas. This demonstrates that there are still opportunities to build the European ecosystem even further, and that access to capital is still a critical limitation in building more programs.