

European Startup Monitor – Country Report Austria 2015

Authors: Lisa-Marie Fassel and Dr. Rudolf Dömötör

Introduction

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

To fill this gap the European Startup Monitor (ESM) was initiated. It defines a startup as follows:

- no older than 10 years,
- having an innovative / disruptive business model or technology, and
- aiming at a significant growth in revenue and number of employees.

Within this study, startups need to fulfill the first and at least one of the other two aspects and thereby differing from general small and medium enterprises.

The 2015 results of the ESM for Austria will contribute to better understanding this special type of companies. Expanding from the work of the German Startup Monitor, the ESM aims at creating a research network that provides political and educational decision makers with a profound set of data about innovative and job creating startups. In addition to analytical

research, the project aims at creating further excitement for entrepreneurship within the European society.

Main Findings of the European Startup Monitor 2015 for Austria in brief

The main findings of the study are:

- Vienna is the main hub (region) for Austrian startups: Almost two-thirds of the startups (62.7%) are located there. The remaining 37.3% are similarly distributed among the other federal states.
- The average founder of a startup in Austria is male (84.5%), is an Austrian citizen (80.8%) and starts his company in a team of 2 to 3 people (average team size: 2.55).
- Male founders are on average 31.9 years old when they start their companies, whereas female founders are almost five years younger (27.5).
- One third of the founders (39%) have already started at least one company before and 20% of them can even be regarded as serial entrepreneurs with two or more previous ventures. 11.6% of the experienced entrepreneurs completely sold (exited) their previous companies. 14.9% of previous business operations were discontinued; either voluntarily (11.6%) or due to insolvency (2.3%).
- The average age of an Austrian startup is 2.19 years and has created more than 7 jobs on the average (including founders).
- 44% of the startups regard themselves as part of the Digital Industry, 18.7% as Life Sciences startups. More than two thirds (70.4%) of the startups generate an annual turnover of less than 150,000 EUR.
- 19.2% of the founders and 27% of the employees are non-Austrian citizens.

Regions

- Austrian startups tend to cluster in or around the state capitals. With the advantages that are associated with urban regions, startups find good economic, cultural and social conditions. These include the access to skilled employees (e.g. from universities) and potential customers, a wide range of workshops, networking events, and incubation or acceleration programs, respectively. Additionally, the access to big corporations and money (incl. public grants), are often regarded as a reason to re-locate to bigger cities.
- Vienna has evolved as Austria's main hub for entrepreneurs. More than 60% of the startups are located there. Other local startup hubs have developed in most of the federal states. The biggest of these hubs are Linz, Graz and Klagenfurt.

Founders

- The average age of a founder at the time of foundation of the startup is 31.6 years. 67.5% of all founders are 35 years old or younger. Female entrepreneurs are younger than male founders (27.5 vs. 31.9 years).
- Women are still under-represented in the startup ecosystem. Only 15.5% of the founders are female. This number has slightly risen compared to an older study on the Austrian Startup Ecosystem and is also slightly higher than in Germany.
- The vast majority of both male (79.6%) and female founders (88.9%) prefer to start the company with at least one team member instead of being a solo-entrepreneur. Female founders tend to start their company in slightly smaller teams than men (2.22 vs. 2.55 co-founders).
- Almost one fifth (19.2%) of the founders are non-Austrian citizens. 74% of the non-Austrians are citizens of other EU countries, 26% come from outside the European Union. The share of non-Austrian citizens is higher among women (27.8%) than among male founders (14.2%).

- More than 60% of the surveyed founders are first time founders. 19% of the founders had started one company before and 19.8% state, that they had previously founded two or more startups. Among the experienced founders, 11.6% sold their previous companies completely. 57.1% are still holding shares in their previous companies but are no longer involved in the operations. 14.9% of previous business operations were discontinued: either voluntarily (11.6%) or due to insolvency (2.3%).
- Being asked what they would do if their startups failed, 65.1% of the founders indicated that they would start all over again with a new business venture. 16.3% would remain self-employed as freelancers or consultants. 14% would search for a job as an employee.
- Considering their future and the future of their startups, the vast majority (73.4%) of founders regard it as likely or rather likely to remain in the company. Furthermore, 53.3% of the founders regard it unlikely to sell (parts of) their startup.
- While nearly every founder (91.3%) indicates that it was unlikely that the startup will be closed within the next years, only one fifth (22.2%) regard an IPO as realistic.

Digital Industry and Life Sciences

- Nearly half of the startups in this study (44%) are related to the Digital Industry. The most prominent areas are Software as a Service (11.2%), IT & Software Development (10.4%) and E-Commerce (5.2%).
- The other major industry in the Austrian startup ecosystem is Life Sciences, with nearly 20% of the startups.
- Almost half of the startups (48.2%) are offering a novelty in the global market. 19.3% indicate that their product is a novelty across the EU. 12.3% regard their product as an innovation for the Austrian market. Interestingly, 11.4% are not marketing an innovation.

Markets & Customers

- The majority of startups (67.8%) categorize their business as B2B (business to business).
- 32.8% of the startups are already selling their products/services worldwide. Another 44% offer them on the European market. 23.3% are currently generating revenue in Austria only.
- To further expand their business activities, almost all surveyed startups (88.6%) follow an internationalization strategy. Nearly half of the startups (48%) are planning to expand within the European market and 40.7% want to serve Asia, Africa or America within the next 12 months.
- Being asked about their biggest challenges at the moment, 49.1% of the startups indicate to be struggling with product development. Raising capital (39.6%) and growing the company (34.9%) are further struggles. However, the biggest issue for most of the startups in this study is sales (61.3%).

Jobs/Employees

- Startups are a major source of new jobs. After only 2.19 years in business, one Austrian startup creates 7.5 new jobs on average (including founders).
- Every other startup (54.5%) has at least one non-Austrian employee. Most of them (81%) are citizens of other EU countries, 19% of them are non-EU citizens.
- Almost all startups (91.8%) are planning to grow the number of employees within the next 12 months. The number of planned hires varies, with an average of 5.5 new employees per startup.
- In addition to these fixed employees, most startups are offering internships and student positions. On the average, 1.4 interns and 2.1 student workers are employed by the startups in this study.

Turnover, Financial Situation and Business Climate

- In order to start their businesses, almost all founders invested their own money (89.9%). The second most important source of funding is public grants. Nearly half of the startups (48.6%) received money from a federal or state agency. Family and friends are the third major source of money (24.8%), followed by bootstrapping (24.8%) and business angels (23.9%). Venture Capital (10.1%), bank loans (11%) and crowdfunding are currently less common sources of funding.
- 74.3% of the startups are planning to raise money within the next 12 months. Most of them are seeking for an investment round of less than 500,000 EUR.
- Most of the startups (87.8%) that had already completed a full fiscal year have also generated revenue. While the majority of them had an annual turnover of less than 250,000 EUR (58.6%), nearly 10% were able to earn up to 500,000 EUR and 12.2% up to a million EUR. 7.3% even made revenue of between one and two million EUR.
- Concerning their current business situation, almost all startups (95.6%) regard their current situation to be at least satisfying. More than a third (38.5%) is even having a good situation.
- Taking a look into the future, the Austrian startups are expecting an even more fortunate business situation: Almost three quarters expect the situation to be more favorable (73.6%) and only 2.2% of the startups fear to face a less favorable business situation.

Conclusion

The study shows that startups do have the potential to become job engines and consequently an important driver of Austria's economic prosperity. The national startup ecosystem is prospering, with some regional hubs (mostly Vienna) and industry clusters (Digital Industries and Life Sciences) already evolving.

A significant proportion of the founders and their employees are non-Austrian, which makes the ecosystem quite diverse in terms of nationalities. The number of female founders is still falling short of their male counterparts.

According to this study Austrian founders are quite young at the time they start their companies. With founding a startup being a clear career choice, a growing number of students are gathering startup spirit during internships or as part-time employees.

Two thirds of the Austrian startups are developing a global or EU innovation. The majority of startups in Austria are following an internationalization strategy. In order to be able to expand their businesses, three quarters of them are planning to raise funds of up to 500,000 EUR within the next 12 months.