



European Startup Monitor 2016 – Country Report Slovenia

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Introduction

The European Startup Monitor (ESM) 2016 was again able to increase the number of total respondents and it now represents 2.515 start-ups, 6.340 founders, and 23.774 employees.

For the first time, Slovenia is involved in the study, in which 86 Slovenian start-ups participated. Based on the concept introduced in the first ESM (2015), start-ups in this study are defined by three characteristics:

- Start-ups are younger than 10 years.
- Start-ups feature (highly) innovative technologies and/or business models.
- Start-ups have (strive for) significant employee and/or sales growth.

The ESM has three goals:

- To present the development and significance of start-ups and identify research gaps.
- To outline economic initiatives that will strengthen the national and regional start-up ecosystems of Europe.
- To cultivate enthusiasm for entrepreneurship in society.

We believe that the study provides good insight into many aspects of business operations of Slovenian start-up companies and offers possibilities of international comparison. The results of

the study can contribute to further improvement of the Slovenian start-up ecosystem, which is already showing enviable results in this moment.

Main Findings of the European Startup Monitor 2016 for Slovenia in Brief

- Slovenian sample encompassed 86 start-ups in total, which are all located in Slovenia. The majority of them are located in the capital of Slovenia – Ljubljana (31 start-ups).
- The majority of the analysed start-ups operate in IT/software development (22), followed by industrial technology/production/hardware (10), software as a service (9), consumer mobile/web applications (7) and online service portals (5).
- Related to start-up foundation, 66 start-ups were founded as an independent venture foundation.
- Regarding the development stage of start-ups, the majority of the analysed start-ups are in the start-up stage – completion of a marketable product/MVP, first revenues/users (49 start-ups).
- The majority of start-up founders are male (72).
- The majority of start-up founders are Slovenian citizens (31).
- The average age of start-up founders is 33.76 years.
- The analysed start-ups generate revenue mainly through B2B, and the least through customers from B2C.
- The dominating sources of start-up financing are personal savings (43 start-ups).
- The top two expectations about politics regarding start-ups' entrepreneurial activities are reduction of regulatory and administrative burden (34 start-ups out of 86) and tax reductions/relief (34 start-ups out of 86).
- The biggest challenges that Slovenian start-ups currently face are growth (28 start-ups out of 86 in total) and sales/customer acquisition (30 start-ups).

Introduction

The analysis of Slovenian start-up companies and the start-up ecosystem, which has been carried out by Initiative Start:up Slovenia for year 2016, includes 86 participating start-up companies. We believe that we obtained a quality sample of start-up companies from entire Slovenia that most suits the defined type of innovation-driven companies with global growth potential.

Start-ups or new innovation-driven companies need a suitably developed start-up entrepreneurial ecosystem for successful development. With the goal of successfully developing, start-up companies connect with various private and public stakeholders of the start-up ecosystem that can help them develop the product, finance launch and growth of the

company, develop the market and ensure other necessary resources or conditions for company development.

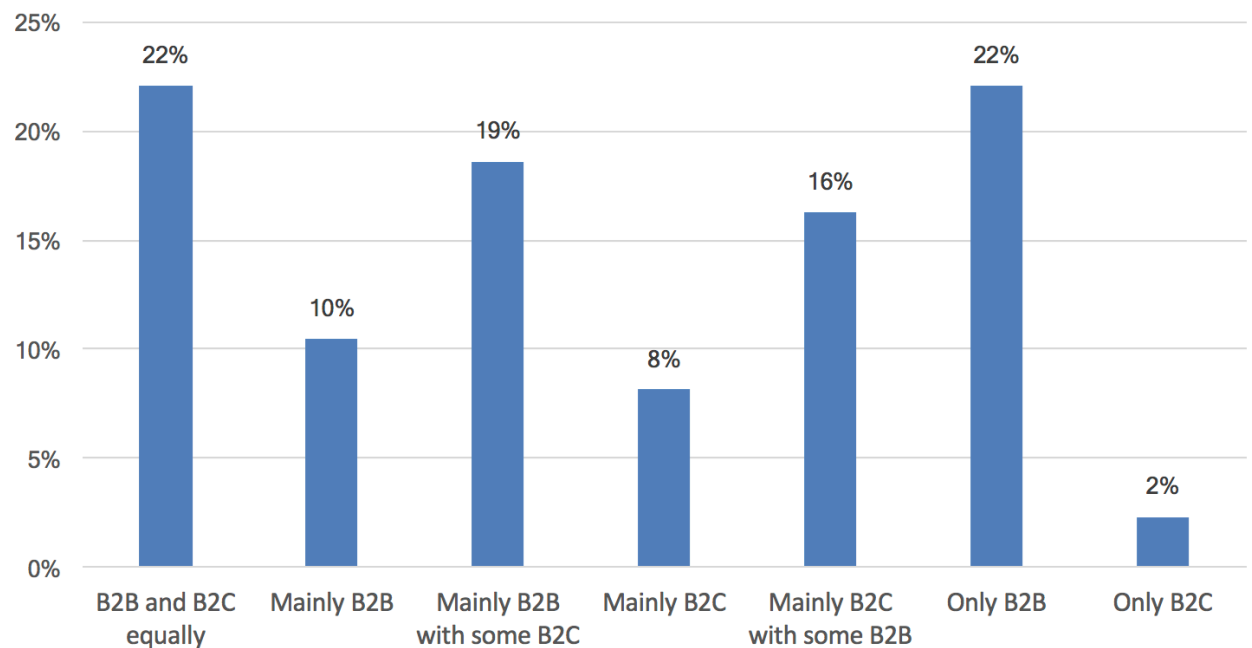
Start-ups are well-known for innovation, which is nowadays crucial for companies' survival and existence on market. As stated above, start-ups are innovation-driven companies and consequently more than regular companies oriented towards fast growth, gain of profit and global scale. Start-ups thus work as the main engine of innovation and economic growth.

The country-level study of the Slovenian start-up ecosystem as part of the European start-up landscape offers information pertaining to participating start-ups, founders/entrepreneurs, economics / relevant sectors / financial situation and business climate, human resources / jobs / employees, political and legal environment, and cultural environment.

Participating Start-ups

- Slovenian sample encompassed 86 start-ups in total, which are all located in Slovenia. Among those, the majority of start-ups in Slovenia are located in Ljubljana (31), followed by Celje (14) and Maribor (12); while in other cities they are represented in lower numbers.
- Pertaining to industry, the majority of start-ups operate in IT/software development (22), followed by industrial technology/production/hardware (10), software as a service (9), consumer mobile/web applications (7) and online service portals (5). Other categories are represented in smaller numbers (four start-ups operating in each category): bio-, nano-, and medical technology; games; green technology and media and creative industries. Only three start-ups work in education, followed by a consulting company, agency (2) and online marketplace (2). E-commerce, finance/finance technology, food, stationary wholesale and retail only have one start-up in each category.
- 66 start-ups were founded as an independent venture foundation, followed by nine start-ups that are a spin-off from an existing company, and only four start-ups that are established as a spin-off from a university/university project.
- Regarding the development stage of participating start-ups, we can sum up that there are 49 start-ups that are in the start-up stage (i.e., completion of a marketable product/MVP; first revenues/users), followed by 17 start-ups in the growth stage (i.e., strong sales growth and/or user growth) and other 17 start-ups in the seed stage (concept development; no revenues/users yet). Only one start-up is in a later stage (established market player; trade-sale or IPO is planned or imminent).
- Regarding the market/customers that start-ups address (B2B or B2C), we can see below that the distribution is rather heterogeneous.

Figure 1: Users addressed by the Slovenian start-ups



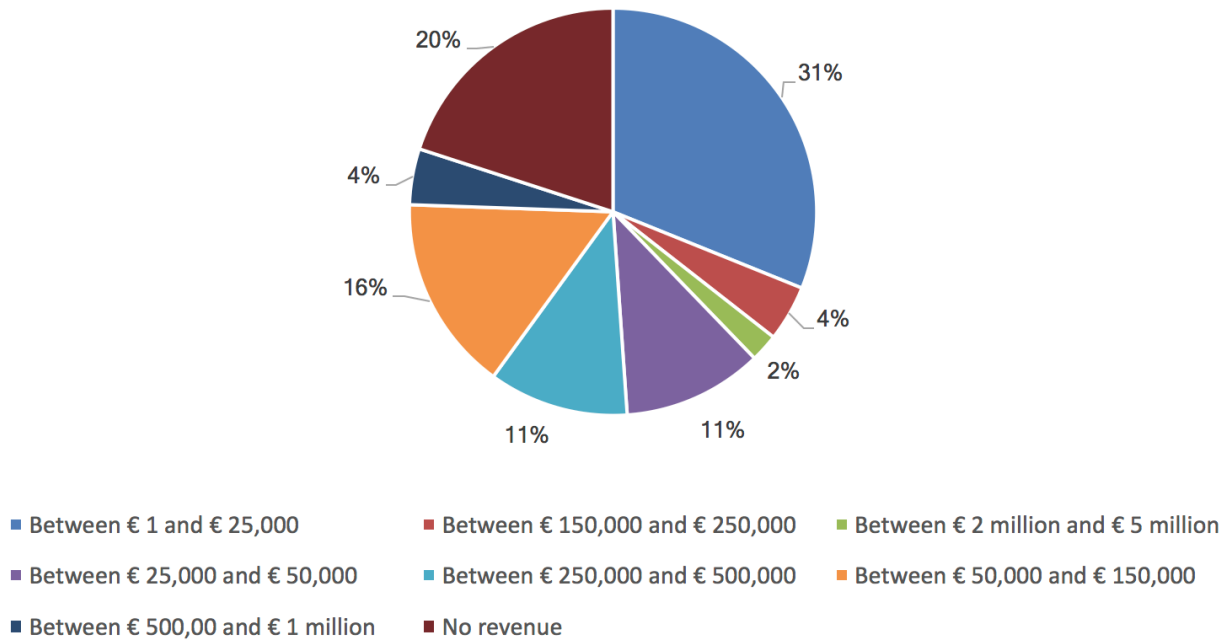
Founders / entrepreneurs

- The majority of Slovenian start-up founders are male (72), while 13 are female.
- Regarding the citizenship, the majority of start-ups' founders are Slovenian (31), followed by founders from Germany (11), Italy (5), France (2) and Greece (2). Other founders come from Austria, Belgium, Bulgaria, Cyprus, Ireland, Netherlands, Poland, Russia, Slovakia and United Kingdom (one founder from each of these countries).
- The Slovenian start-up founders' average age is 33.76 years.
- The majority of start-up founders surveyed in this research had not yet founded a start-up (47), while 17 of the surveyed participants had previously founded one start-up, eight of the surveyed participants had previously founded two start-ups and only one in the sample had previously already founded three start-ups.

Economics / Relevant sectors / Financial Situation and Business Climate

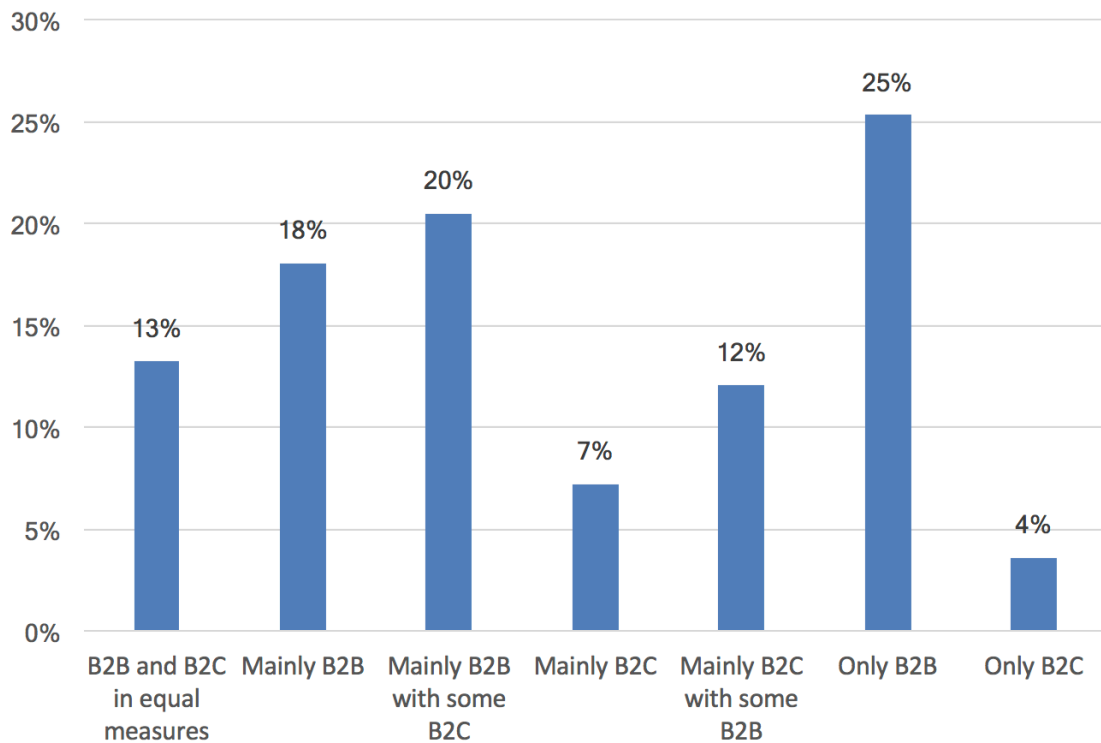
Related to the annual revenue, we can see that 31 % of start-ups have earned between 1 € and 25.000 € and only 4 % of start-ups between 500,000 € and 1 million €. However, 20 % of start-ups had no revenue.

Figure 2: Annual revenues generated



The analysed start-ups generate revenue mainly through B2B, and the least through customers from B2C.

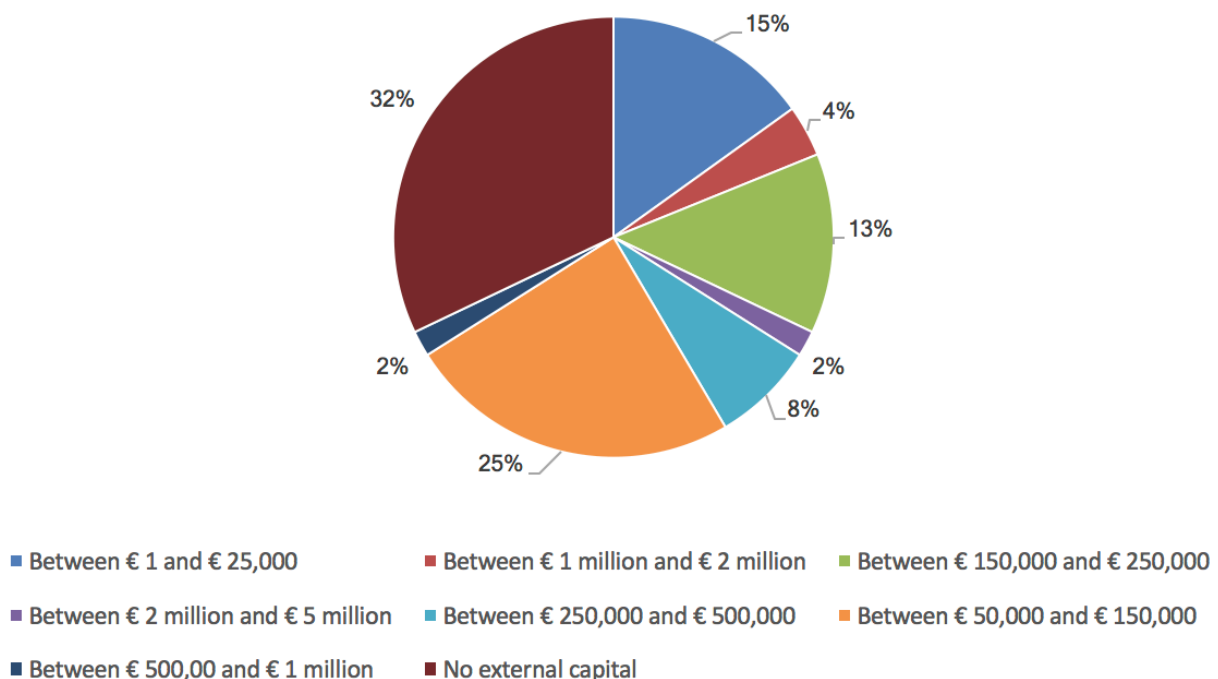
Figure 3: Customer through which start-ups generate revenue



- 62.53 % of analysed start-ups generate revenue in their own country (in this case in Slovenia). In more detail, 30.01 % of revenue is generated within the Eurozone, 18 % outside of the Eurozone, 8.7 % in the Middle East, 30.34 % in North America, 21.33 % in South America, 6 % in Asia and 13.17 % in Australia/Oceania.
- The dominating sources of start-up financing are personal savings (43 of the analysed start-ups financed their start-up with the private capital of founders). 10 start-ups out of 86 in total have obtained financing from family and friends, 12 start-ups were financed by business angels, 8 by venture capital, 20 by an incubator/company builder and/or accelerator, four by governmental funding (subsidies), three by crowdfunding/crowdfunding, 12 by internal financing, seven by bank loans, and finally four by venture debt.

The figure below demonstrates the external capital that the analysed start-ups have received to date

Figure 4: External capital raised to date



Human Resources / Jobs / Employees

- Over the last 12 months, the analysed start-ups have hired 7.3 employees on average.
- On average, the analysed start-ups plan to hire 2.49 students and interns and 3.7 employees in the next 12 months.

Political and legal environment

- 19 start-ups rate the national politicians' understanding of the concerns of start-ups as poor, followed by 13 start-ups that rate them as deficient and nine that rate them as sufficient. Only two start-ups rate them as very good and three as good.
- The top two expectations about politics regarding start-ups' entrepreneurial activities were a reduction of regulatory and administrative burden (34 start-ups out of 86) and tax reductions/relief (34 start-ups out of 86).
- Participants rated their experiences with governmental institutions rather neutral (23 start-ups out of 86) and positive (16 start-ups). With regard to the European institutions, start-ups rate their experiences with them in majority as neutral (29 start-ups).

Cultural environment

- The biggest challenges that Slovenian start-ups currently face are growth (28 start-ups out of 86 in total) and sales/customer acquisition (30 start-ups).
- Concerning the educational system, promoting and communicating entrepreneurial thinking/doing was rated slightly better in universities than in schools. In more detail, 15 start-ups rated promoting and communicating entrepreneurial thinking/doing in schools and universities as poor, while 11 start-ups rated it as sufficient in the national school system, and 16 start-ups rated it as sufficient in national universities.
- When we asked the analysed start-ups what would they do next if their present start-up failed, 29 start-ups responded that they would found another start-up. Six start-ups said that they would work as an employee and five start-ups would work as a freelancer/consultant.

Conclusion

We believe that the analysis of research results gives good insight into many aspects of business operations of start-up companies as key start-up ecosystem stakeholders. Understanding all these types of challenges that start-up companies face is crucial for designing and offering different forms of support and collaboration by other stakeholders of the start-up ecosystem. This requires a move away from very specific, only company-focused interventions to more holistic activities that are oriented towards developing connections between various stakeholders of the start-up ecosystem, their coordination of high priority tasks, and their collaboration in designing comprehensive products with the goal of reaching synergies. Further improvements may also be the reduction of regulatory and administrative burden on national level as well as promoting a European level playing field. An attractive Single Market for start-ups can boost growth aspirations and opportunities. Despite many challenges that start-up companies face during their foundation, operation and scaling up, this report only confirms that

many start-up entrepreneurs are serial entrepreneurs and failure does not necessarily hinder them from founding a new start-up.