

Think:Act

navigating complexity



January 2019

Revisiting the market for innovation

How accelerators and incubators
can reinvent themselves

THE BIG

3



X5

marks how fast the number of accelerators and incubators grew between 2009 and 2018.

Page 6

35%

of accelerators/incubators specialize in a specific technology, mainly IoT, big data, mobile, AI/machine learning, hardware, and cybersecurity.

Page 15

49%

of accelerators/incubators offer international programs through partnerships or their own locations abroad.

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Beyond the hype?

"What is the last Google or Facebook that came out of an accelerator?" is perhaps the question that comes up most often in discussions about accelerators and incubators (A&I), the startup development structures that proliferated in the 1990s. After a boom that saw the number of A&Is explode worldwide, the innovation market has changed dramatically in recent years. The economic models of some structures are proving to be fragile, while at the same time the A&I market is becoming more concentrated and competitive. There is now some doubt about their ability to develop tomorrow's business gems.

Following the craze of the late 2000s, is the hype around accelerators and incubators over? The answer is that the phenomenon continues, but it is changing with the arrival of new types of innovation-related collaboration.

In this uncertain context, Roland Berger surveyed a large sample of A&Is worldwide to understand their positioning, challenges, and strategy.

THE RACE TO THE "NEW ECONOMY"

The history of accelerators and incubators is linked to the increased adoption of the startup model and new innovation processes. Towards the end of the 1990s, the internet and web technologies created new markets and changed the way businesses operated. Successful entrepreneurs became the public face of this new economy, which was no longer the preserve of the large corporations. → **A**

From that moment the existing concept of "startup", a watchword today, gained ground and quickly became a must in innovation and technology. It is used to describe a young company with great growth potential and a disruptive idea, usually based on new technology, but which may need some private funding.

Incubators and then accelerators were created for situations that could not be adequately handled by "classic" companies. The number of accelerators and

incubators worldwide started surging in 2009, at first in collaboration with universities and research centers. Between 2009 and 2018, the number of A&Is grew more than fivefold globally, with both public (universities) and private (companies) sectors wanting their own programs to generate new forms of innovation. It is difficult to count the exact number of structures existing around the world. Depending on whether one takes into account the different implementations or only the active structures, the number can vary from single to triple digits. But all data sources identify 2009 as the inflection point. Roland Berger counted 2,616 active structures in 2018 (and not implementations), as against 560 in 2009. → **B**

Most first-generation incubators built their service offers on the typical features of startup support: office space, mentoring, and networking. But this generic package did not allow for differentiation, since specialized services such as investment and access to technologies were not the norm. Accelerators then addressed this issue, providing go-to-market and fundraising services. → **C**

TOWARDS THE BURSTING OF THE BUBBLE?

There is now a widely held view that the accelerator and incubator market is saturated. The number of structures is continually increasing, as is competition in what has become something of a jungle. Differentiation is therefore a challenge.

However, as accelerators and incubators proliferate, critics even ask if they have the capacity to boost an entrepreneur's chances of success. Indeed, the more programs there are, the growing risks include being less selective in the choice of startups. A&Is currently enroll on a rolling basis (40%) or through regular intakes (60%), with cohorts of up to 10 startups and usually one to four intakes per year. They therefore rarely play a role throughout the full startup lifecycle, from initial gestation to rapid growth. → **D, E**

A

SHARED GOALS, DIFFERENT MODELS

Overview of incubators' & accelerators' value propositions.

Accelerators and incubators are now key operators in the entrepreneurial ecosystem. They help startups to grow by providing facilities and services such as office space, management training, funding, connections to companies, links to mentors and experts, and access to markets. Around 60% of A&Is also offer investment. They therefore help to create and sustain local ecosystems around their enrolled startups.

The incubation concept began in the Batavia Industrial Center, New York, in 1959, long before startups became trendy and widespread. Incubation saw rapid expansion in the 1980s and 1990s, particularly in Europe and the U.S., where their forms included innovation centers, pépinières d'entreprises, science parks, and technopoles.

At the start incubators were opened mainly under the leadership of research institutions, supported by universities and governments. They increasingly became catalysts for economic development, providing entrepreneurs with integrated facilities and services such as: offices and research laboratories; personal coaching; networks of partner academic institutions and companies; and fundraising. Incubators enabled the transfer of technologies from publicly funded research to innovative startups.

However, the early incubators were not sufficiently business-oriented and this led to the growth of business accelerators. Silicon Valley set the pace in 2005 with the launch of YCombinator, the first seed accelerator and which notably supported Dropbox and Airbnb. TechStars then popularized the concept of an integrated program of acceleration, involving a stake in the company's capital.

This new form of support for startups, "made in California", was quickly replicated in other parts of the U.S. and in Europe. There are important geographical differences in acceleration and incubation programs. In North America, Europe, and Oceania there are typically larger investments than elsewhere; and invested amounts in North America are four times larger than in Europe.

Finally, accelerators and incubators should not be confused: they operate at different stages of maturity, have distinct business models, have diverse enrollment processes (42% on a rolling basis, 58% through regular intakes), and provide different services. While incubators are based on rent in exchange for facilities and services, accelerators rely on investment in exchange for equity (usually 7%).

INCUBATORS

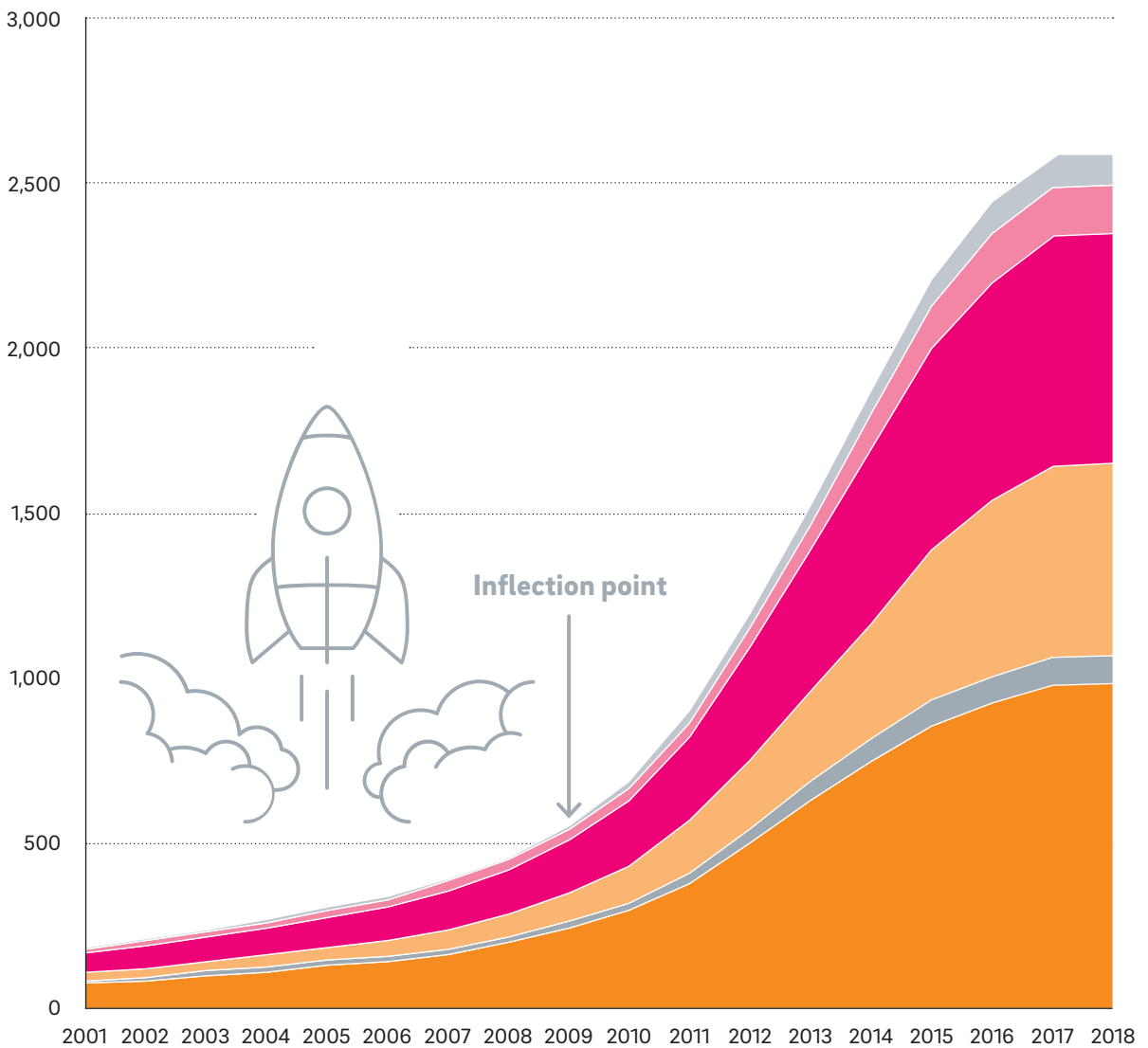
ACCELERATORS



B

INFLECTION POINT

Openings of accelerators and incubators started surging in 2009.

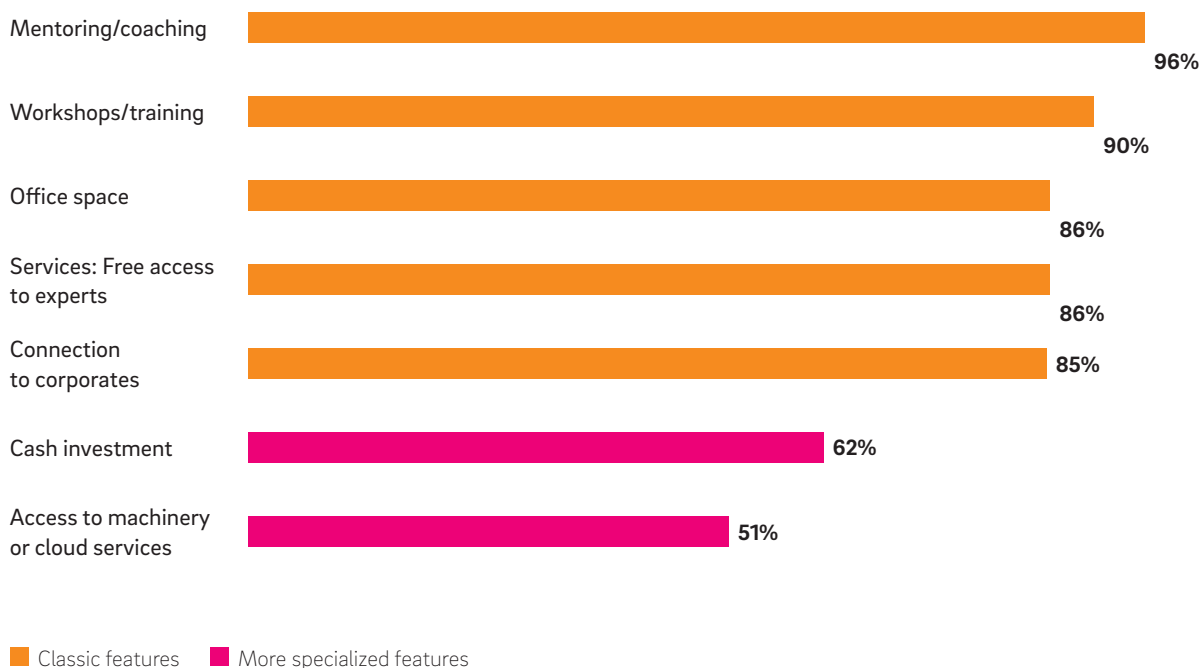


■ Africa ■ MENA ■ Europe ■ APAC ■ Latin America ■ North America

C

CLASSIC FEATURES OF STARTUP SUPPORT STILL RULE

Cash investments and access to machinery or cloud services are less frequent.



Source: Roland Berger, based on 202 respondents

Furthermore, some accelerators and incubators have an unviable business model, focused on building a community rather than making money, and are not profitable. Some choose to ignore their apparently useless graduating businesses while searching for potential gems in the new intake.

One reason for the greater tension in the market is that entrepreneurs need less visibility towards and development by third parties due to increased liquidity in the financing market. The balance of power has changed in favor of startups who can select whichever financiers offer the best conditions. As a result, "off-market" transactions are sought, and the role of intermediaries is reduced.

There are also many more financing players including business angels, venture capitalists, corporate venture, private banking, private equity funds, and

sovereign funds. The purpose of A&Is, which was to assist in the search for financing, is less clear in the face of new players in this increasingly tense and specialized market.

NEW PLAYERS AND AN INCREASINGLY COMPETITIVE, COMPLEX MARKET

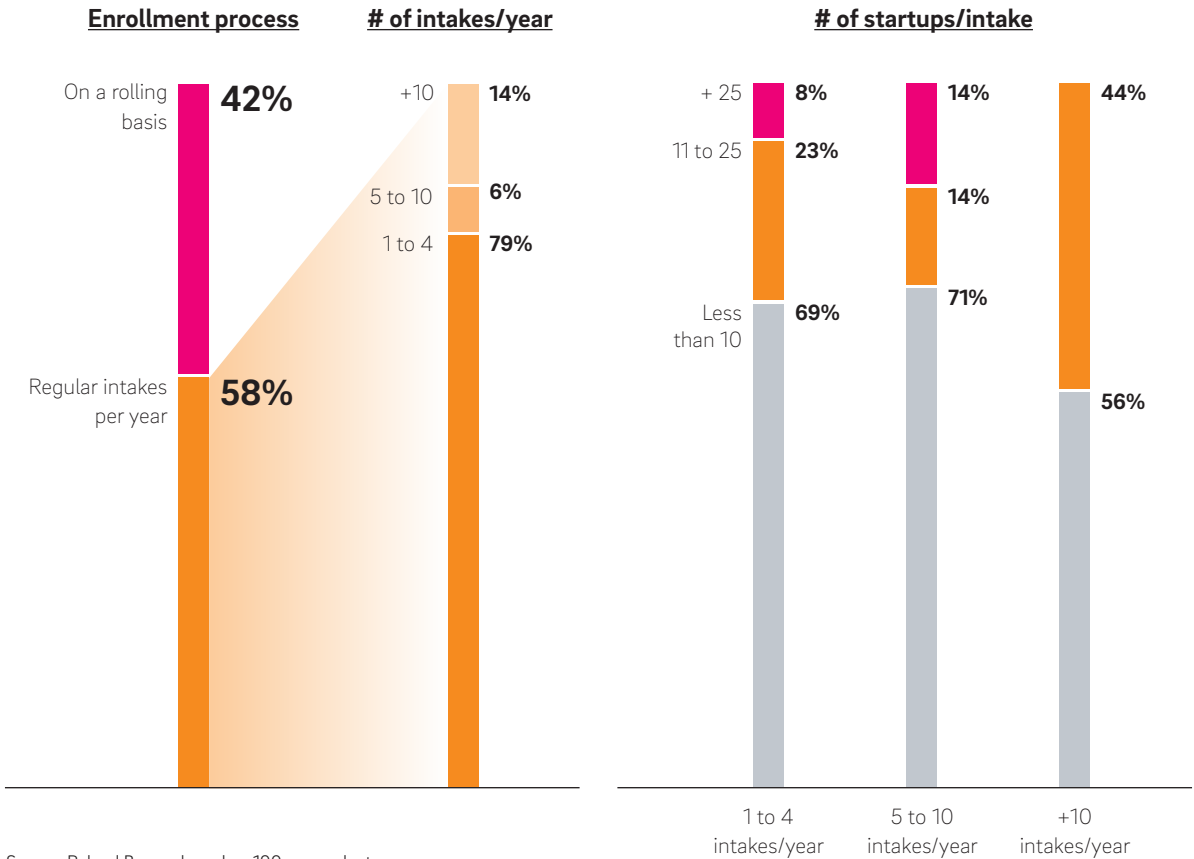
New players have entered the innovation market, increasing its complexity. Accelerators and incubators now have to face new competitors, while preserving their legitimacy.

First and foremost, larger companies are now back in the game. Their innovative approach has changed significantly, having been inspired by the startup ecosystem, its ideas and methods. Corporate incubators are therefore developing, benefiting from companies' financial strength, expertise, and client bases.

D

REGULAR INTAKES ACCOUNT FOR THE MAJORITY OF THE ENROLLMENT PROCESS

Most intakes occur 1 to 4 times a year for up to 10 startups each.



Source: Roland Berger, based on 190 respondents

The degree of success has been variable though, and many companies have realized that having a startup in-house is not always the easiest path to disruptive innovation. But new types of collaboration have appeared, such as startup factories and studios, whose aim is to develop truly win-win partnerships between entrepreneurs and large companies, based on each other's strengths (see interview with Tobias Rappers, Spielfeld.)

There are also more links with venture capital funds. Choosing relevant projects, providing mentoring and access to a network – these services can now be offered to financial operators. More funds are starting their own incubation programs. For example, Partech Ventures,

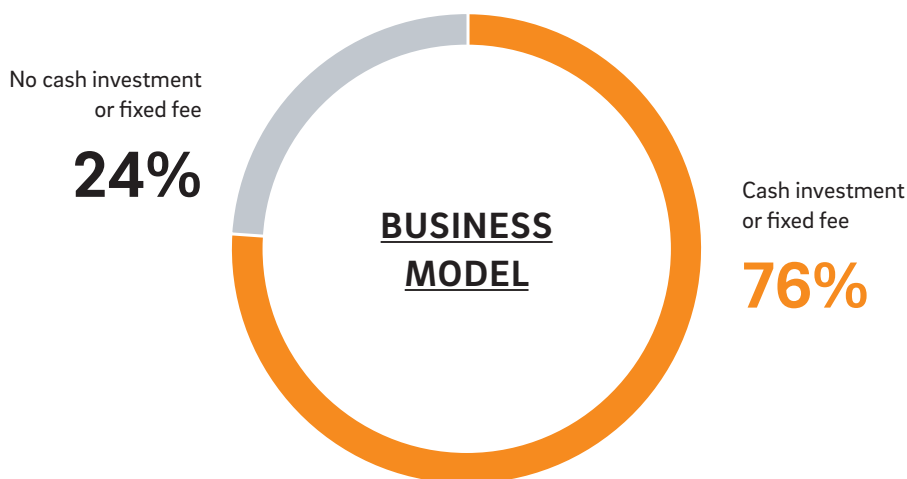
the only fund to make Series C in Europe, is opening its innovation incubator in Paris. Another example is Founders Future (by Marc Menasé, founder of MenInvest), which offers dedicated support to entrepreneurs.

The offer to startups has become higher quality, which is a positive change. Big companies are not using startups as much to make themselves appear innovative, and less mandatory, time-consuming training and networking is imposed on entrepreneurs. Instead there is more support from dedicated teams who have been through the experience of entrepreneurship. In this increasingly mature and high-quality market, accelerators and incubators need to develop strategies to stand out.

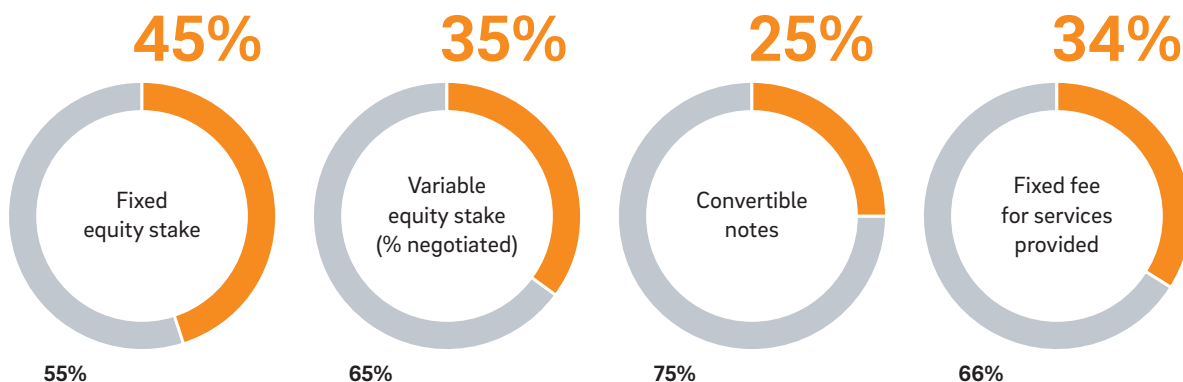
E

BUSINESS MODEL

76% of incubators/accelerators leverage cash investments or fixed fees when integrating a startup in their program.



CASH INVESTMENT TYPE/FEEES



■ Yes ■ No

"We take employees out of their existing structures and routines (and comfort zone) and give them a secure environment to build a product, service, or business model, meanwhile applying new ways of operation, process management and leadership."

Tobias Rappers,
Managing Director, Spielfeld Digital Hub

"While the Thai startup landscape is strengthening with an influx of capital and expertise, there is still a long way to go. We want to see concerted A&I related efforts by private and public players to collectively resolve industry-wide and national challenges."

Thanasorn Jaidee,
President of True Digital Park

"We are now entering a new phase in incubation and acceleration. The idea that startups and big companies are worlds apart is definitely behind us. Today's challenge is creating sustainable and successful alliances involving everyone concerned."

Marie-Vorgan Le Barzic,
Co-founder and CEO of NUMA

"Entrepreneurs' priorities are to satisfy an increasing number of customers, and to finance this development. Their issue is then to expand to compete with other fast-growing technology companies, particularly those in the U.S. and China. Accelerators therefore have a major role in helping them to find new business and raise funds to grow business internationally."

Guillaume Toublanc,
Managing Director France at EIT Digital

"The best structures attract the best startups, but also keep close links with key investors and corporations."

Axelle Lemaire,
Global Head of Terra Numerata

"Station F provides a whole startup ecosystem under one roof."

Grégoire Schiller,
Founder of Simundia



Guillaume Toublanc

Managing Director France at EIT Digital

Guillaume Toublanc is Managing Director France at EIT Digital. EIT Digital is a leading European digital innovation and entrepreneurial education organization. It provides digital innovations to the market and breeds entrepreneurial talent by mobilizing a pan-European ecosystem of local ecosystems. This comprises European companies, small and medium-sized enterprises, startups, universities, and research institutes.

How is the acceleration market evolving?

The increasing number of accelerators globally has brought some successes. However, the acceleration market is complicated, unclear, and over-supplied. Entrepreneurs therefore tend to be extremely critical of their in-program experience, and of the quality of support received. Furthermore, the equity model seems out of date because it is untenable. To a certain extent, so is the coaching at the early stage of the startup, as young entrepreneurs are now fully capable of determining their strategy and business plan, and are extensively helped by different structures.

The challenge is therefore to support companies' development, rather than their launch. Venture capital funds are investing heavily in digital, and accelerators are increasingly backed up by funds, which seems more viable and sustainable. In this respect, startup studios are also an interesting development. In any event, the fee-based model is undergoing huge change. Entrepreneurs' priorities are to satisfy an increasing number of customers, and to finance this development. Their issue is then to expand to compete with other fast-growing technology companies, particularly those in the U.S. and China. Accelerators therefore have a major role in helping them

to find new business and raise funds to grow business internationally.

How do you implement all your actions?

We focus on accelerating business expansion, including across Europe and worldwide, helping startups to find customers and raise funds to fuel this growth.

We are also well positioned in deeptech and we think Europe has strengths in this market, including in artificial intelligence where we see excellent researchers, talent, and training courses. EIT Digital therefore wants to support business initiatives in which European creative and technological strengths can create great companies. While Europe has failed to shift to digital platforms, it can be a leader in deeptech, Internet of Things (IoT) and other breakthrough innovation. Public acceleration programs have a role here, since such innovation requires more time to mature, major investment and it is more risky to private investors. As a public organization, we have a neutral approach. Our goal is to create economic and societal impact, so entrepreneurs trust us. Indeed, the search for meaning is important when entrepreneurs choose where to accelerate their companies.

Can you tell us about an EIT accomplishment you are particularly proud of?

With our help, the French scaleup Metron, a leading provider of artificial intelligence algorithms to reduce the energy consumption of industrial plants, has recently gained funding from investor Breed Reply. Metron is now one of the 20 companies in Breed Reply's portfolio of European IoT investments. Since it was founded in 2013, Metron has raised a total of EUR 4.5 million.



Marie-Vorgan Le Barzic

Co-founder and CEO of NUMA

Marie-Vorgan Le Barzic, is Co-founder and CEO of NUMA, a full-service innovation hub that provides support for tech entrepreneurs. It has a presence in eight countries: France, Spain, Germany, India, Morocco, Mexico, Russia, and the United States.

How is the incubation and acceleration market evolving?

We are now entering a new phase in incubation and acceleration. The idea that startups and big companies are worlds apart is definitely behind us. Today's challenge is creating sustainable and successful alliances involving everyone concerned. Moreover, the way incubators and accelerators operate has fundamentally changed. For instance YCombinator started before the incubation and acceleration ecosystem existed. Now the dynamic is completely different, as the market has become highly competitive. An accelerator that is not backed by investment funds or a support structure is unlikely to survive.

How do you implement all your actions?

For some years we have focused on growing internationally, and we want to explore some new and less mature markets such as Mexico, and Bangalore in India. We seek to develop host territories with programs to benefit local entrepreneurs, and without being predatory. We are now positioning ourselves in the late-stage market, as acceleration experts in more mature projects, and we're also working more closely with venture capital funds.

Can you tell us about a NUMA accomplishment you are particularly proud of?

NUMA has supported the Europe, Middle East and Africa headquarters of Estée Lauder, and its personnel in eight countries, within the framework of their digital transformation. NUMA has co-constructed, with Estée Lauder, a specific digital talent empowerment program for each market.

The challenge was to learn how to work collaboratively, breaking down the barriers between the many brands of the group and encouraging innovation from each team, rather than using only guidelines from headquarters. This has been successful as Estée Lauder has asked NUMA to continue training personnel in other subjects, and in particular intrapreneurship.

Standing out from the masses.

Accelerators and incubators can only survive by standing out from the masses, and so enroll the most promising startups and get the attention of the strongest companies. To achieve this, two main strategies are proving to be effective: specializing and/or internationalizing. However, with new operators positioning themselves as open hubs, the market is becoming more crowded and even more complex.

THE STRATEGY OF SPECIALIZATION

In a differentiation strategy, the first option is to specialize. In 2016, 54% of accelerators and incubators had specific specialization (covering an average of four industries, and mainly in B2C areas such as healthcare, financial services, retail, and e-commerce); only 35% focused on a particular technology (generally two to three technologies such as the Internet of Things, big data, mobile, artificial intelligence, and machine learning), leaving room for development; and 29% of A&Is are both industry and technology specialized. → **F**

In this respect, the American market for incubators is close to full maturity. New models are appearing, based on highly competitive and specialized offerings such as education (Imagine K12), health (RockHealth, Dremit Health), and cleantech. By doing this, A&Is can continue to dominate the innovation industry. More generally, the more digitally mature the market is, the more specialized the accelerators tend to be. → **G**

THE STRATEGY OF INTERNATIONALIZATION

Another option is to extend the geographic coverage of an acceleration or incubation structure. Some established operators rely on increasing internationalization to attract and compare more candidates. In 2017 **49%** of A&Is offered international programs (45% of

The more digitally mature the economy is, the more specialized the accelerators tend to be.

them offer one to three programs), either through partnerships with foreign entities or with foreign locations, and examples include NUMA (France), TechStars (U.S.), and Merck Innovation Center (Germany). After duplicating their programs in several American cities, A&Is such as DreamIt Ventures, Dogpatch Labs, and Startup Bootcamp pursued their rapid expansion beyond national borders, enhancing their profitability. TechStars began its expansion in Europe and later acquired the successful European accelerator Springboard. → **H**

There may be further attempts by A&Is to gain a foothold in Europe, Asia, South America and the Middle East. This could even start a strong consolidation process, which would heighten the quality and attractiveness of the best programs. → **I**

F

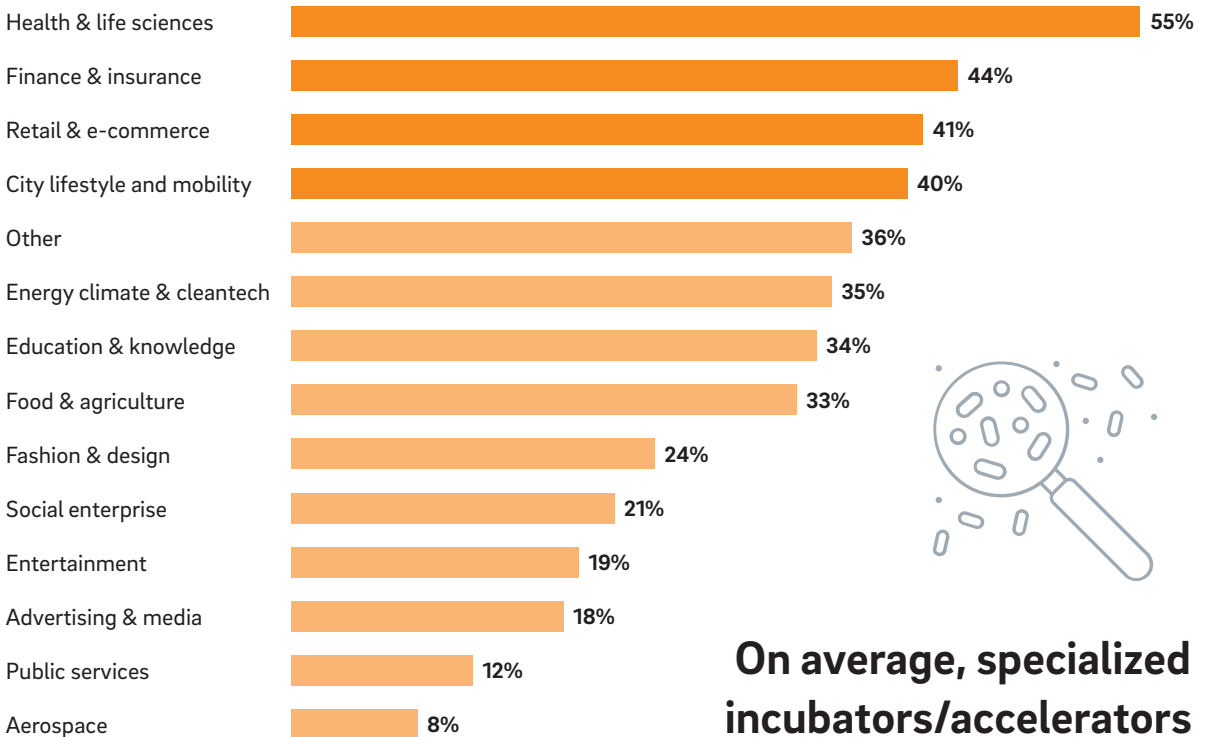
INCREASING SPECIALIZATION AS A DISTINCTIVE STRATEGY

B2C industries are leading the ecosystem.

INDUSTRY SPECIALIZATION



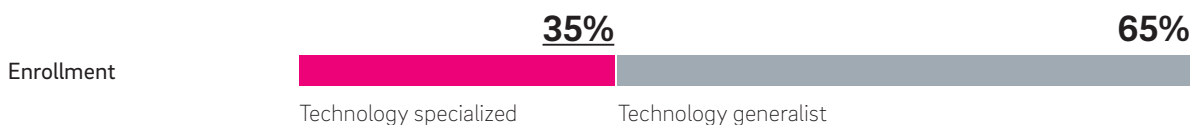
Industries of specialization [#; % of industry specialized organizations]



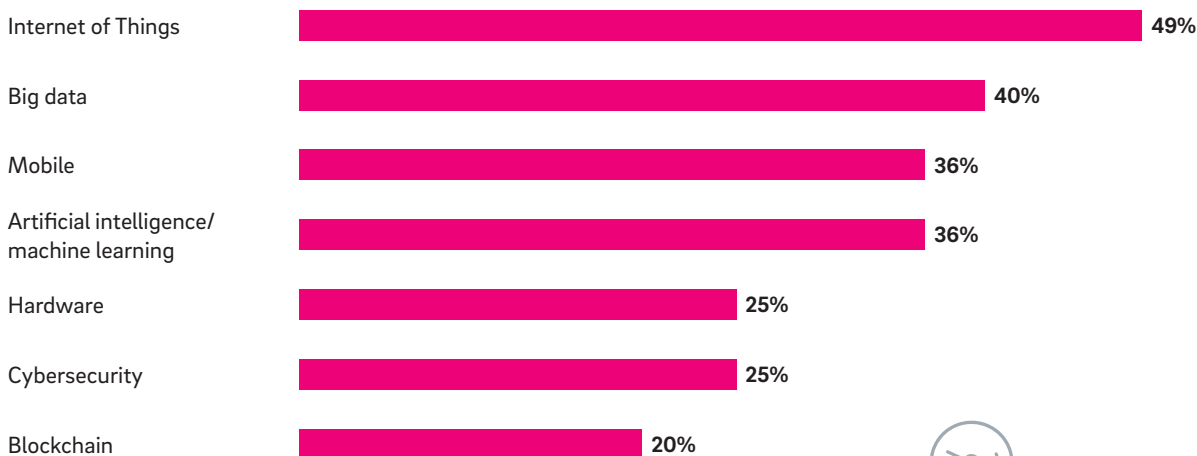
On average, specialized incubators/accelerators choose 4 industries.

■ Mainly B2C

TECHNOLOGY SPECIALIZATION



Technologies of specialization [#; % of technology specialized organizations]



On average, specialized incubators/accelerators choose 3 technologies.

However, the sheer multitude of players obstructs access to and visibility on the quality of programs. The few accelerators and incubators with enough seniority in the field to claim positive results are the most prestigious structures, and the ones most able to attract the best candidates. Hence there is a huge profile and credibility gap between the few leading structures and the vast majority of programs. And this gap is reflected in widely varying returns on managed portfolios, and capacity to influence participants' success.

AN UNRESOLVED QUESTION: MARKET ACCESS

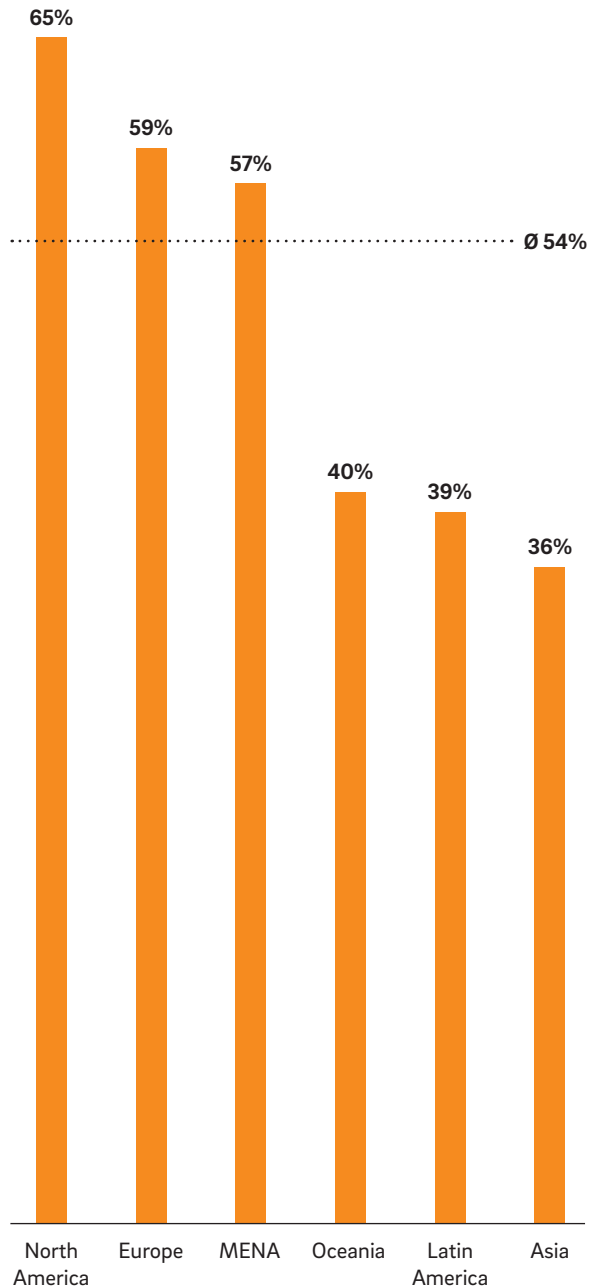
It is too soon to assert that these strategies of internationalization and specialization have paid off. What they prove is how deeply the innovation sector has changed lately, and how profoundly the various players have tried to adapt to this new situation. The innovation industry is becoming a sector in its own right, which evolves and matures, like all other businesses. And in this respect, the question of market access, and the ability of accelerators and incubators to provide this access to all the stakeholders involved (companies, venture capital funds, governments, and entrepreneurs) is more pressing than ever. An interesting parallel can be drawn with the changes in the music industry. As with innovation operators, the market structure is based on small teams, ready to take risks to find the gem among many potential candidates. The record labels played the same kind of role in support of musicians and bands as A&Is do now to support startups: coaching, mentoring, networking, and offering market access.

However, streaming platforms have greatly affected the music industry: today musicians do not need to go through a label to reach listeners and the market. Streaming music platforms take musicians directly to success in the exact same way. It can be argued that the same change is now impacting acceleration and incubation services. A&Is should therefore work to redefine their added value and alter their traditional role within the innovation industry.

G

MATURITY OF THE DIGITAL ECONOMY INCREASES SPECIALIZATION

Share of industry specialists across regions

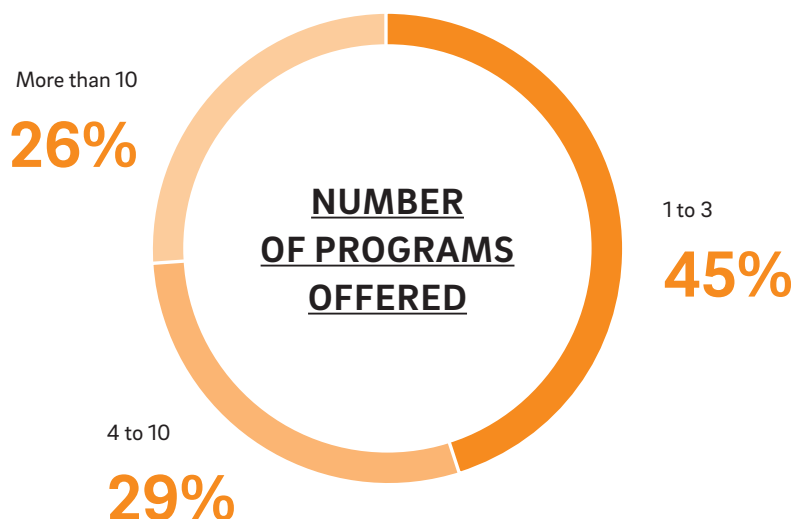


Source: Roland Berger, based on 149 respondents

H

INTERNATIONALIZATION

Half of accelerators/incubators offer international programs through partnerships or their own locations abroad.





Tobias Rappers

Managing Director, Spielfeld Digital Hub

Tobias Rappers is Managing Director at Spielfeld Digital Hub, a partnership enterprise by Roland Berger and Visa. As an innovation platform, Spielfeld aims to facilitate collaboration and communication between companies, startups, innovators, and cross-industry experts. Spielfeld was set up to serve the innovation community and support established industries to master digital transformation in an agile work environment. The hub and its community offer the infrastructure, technologies, an expert and supportive network, an inspiring community, and the right skills to start the digital journey.

How are you different from other corporate incubators?

Particularly in the 2000s, incubators and accelerators were fashionable. They aimed to transfer innovation methods of startups to established companies in order to speed up the development of new products and technologies. However, many of these incubators are struggling or closing, the "transplant" often not being successful. Resources have been misused, and key questions such as "Is this business model relevant for me?" have not been addressed. This is often also a cultural dilemma, since independent businesses develop their own speed and identity and quickly lose the link to the parent company or corporate strategy. In the end, even if the innovation process is successful, it fails to increase overall company growth or assist with transformation.

Spielfeld Digital Hub differentiates itself by facilitating both technical and social innovation knowledge in order to accelerate the digital transformation of established companies.

Could you tell us about one of your successful projects, and how Roland Berger is using Spielfeld's philosophy in client projects?

Spielfeld and Roland Berger enable companies to take a more structured approach to innovation. We start with top-management awareness, by connecting them with innovators, and we use case studies from across industries to broaden their horizon for digital opportunities and change. By equipping people with the knowledge and willingness to try new methods, Spielfeld serves as a platform to execute lighthouse initiatives.

We take employees out of their existing structures and routines (and comfort zone) and give them a secure environment to build a product, service, or business model, meanwhile applying new ways of operation, process management and leadership. By working hands on with companies' staff we are contributing to the cultural transformation of organizations – the biggest challenge of corporate innovation.

Proven ideas and prototypes are then transferred back into the organization or carved out. Both require a great deal of management attention, enabling corporate leaders to craft their own tailored innovation process.

Having followed this approach since 2016, we have served in over 35 projects and 700 workshops and events. We have gained a lot of knowledge and are building even stronger networks. Most importantly, we have helped clients decide whether they need an incubator, and if so, how this fits in with their overall resources and views on innovation.



Damien Durand

Executive Business Development Manager CVC, True Incube

Damien Durand is Executive Business Development Manager CVC, at True Incube, a startup incubator and corporate venture capital (CVC) company located in Bangkok, Thailand. True Incube has an incubation division and an investment (CVC) division. The CVC part of True Incube invests in growing companies with a strong strategic fit with True Corporation and Charoen Pokphand Group, looking at deals from Series Seed to Series B stages, from all over the world. Telecoms company True Corporation is part of Charoen Pokphand Group (CPG), Thailand's largest private company and one of the world's largest conglomerates.

How would you define your current strategy as an accelerator?

To attract the most promising startups, we are increasingly differentiating ourselves by innovating in our selection and mentoring processes. We are focusing on specific verticals which are in line with True Corporation's core business, such as the Internet of Things (IoT), digitalization of small and medium-sized enterprises (SME), and digital media. We are also internationalizing our mentoring program: part of the bootcamp consists of visiting prominent foreign startup ecosystems (e.g. Shenzhen IoT ecosystem in China), and international unicorns such as Grab and Go-Jek in their respective countries. Differentiation is key. Internationalization and specialization are great but we are trying to provide the incubated startups with CPG's added value and support.

What interactions do you expect between companies, VCs, governments, and A&I, and how will this ecosystem work?

Each piece will be part of the puzzle and bring its own contribution. Governments will innovate on regulation and provide the structural and legal framework for the ecosystem to thrive. A&Is bring the knowledge and the capacity-building part, VCs bring funding, and companies bring commercial access and partnerships for the startups to grow faster.

More broadly, how will A&Is evolve and position themselves, and who will be the winners?

Many A&Is will realize it is not sustainable to run a business like this. Only the best A&Is, attracting the best startups and so making the best financial returns out of them, will survive. Others will find that A&Is have costs that make it difficult to make a profit. The winners will be the ones with great connections with VCs and that can add value to startups, such as market access and being partners of choice to major companies.

Could you give an example of a successful project developed in your structure?

Thai startup Peak Engine (www.peakengine.com) supplies accounting software to SMEs. True Incube provided Peak Engine with mentoring and funding in 2014. Peak Engine continues to grow and in 2017 raised funding from True Incube Corporate VC and a foreign VC fund. Peak Engine's products are about to be resold by the True SME team.



Thanasorn Jaidee

President of True Digital Park

Thanasorn Jaidee is President of True Digital Park, to be opened in late 2018, which will be Thailand's first and Southeast Asia's largest digital park. It aims to become "the most complete and open startup ecosystem that powers Thailand to become a global hub for digital innovation". Its core principle is open innovation, which promotes collaboration between multinational companies, startups, small and medium-sized enterprises, investors, universities, and the public sector.

How is the market for innovation changing in Thailand?

In Thailand there has been steady growth of funded startups since 2010, with venture capitalists and companies starting to invest heavily while the accelerators are developing. The current A&I landscape is dominated by mainly local company-backed accelerators. Telecoms companies were strong at the start, and followed by much new bank interest in financial technology. In 2017 the Thai A&I/corporate venture capital (VC) scene started to diversify with companies from the construction, energy, insurance, and real estate sectors getting involved. While the Thai startup landscape is strengthening with an influx of capital and expertise, there is still a long way to go. We want to see concerted A&I related efforts by private and public players to collectively resolve industry-wide and national challenges.

From our ecosystem-focused perspective, we try to bring in company-backed A&Is, and a public sector or consortium-driven structure, to promote broader ecosystem-level collaboration. We also focus on attracting international A&I structures to the Thai market, to increase the transfer of knowledge and innovations globally.

What interactions do you expect between companies, VCs, governments, and A&I, and how will this ecosystem work?

We expect to see greater synergy and consolidation among ecosystem players, driven by increased awareness and understanding, more experienced startups and entrepreneurs, growing digital adoption in companies, and stronger support from governments.

Ecosystem initiatives include the new "National Startup Committee" led by the Finance Ministry, and the annual tech conferences "Startup Thailand" and "Techsauce Global Summit" aimed at fostering collaboration and communication between ecosystem players.

More broadly, how will A&Is evolve and position themselves, and who will be the winners?

In Thailand new A&Is may not pop up as much as in the past. Various projects are experimenting to see what works and what does not. Most big companies are starting to see that not all businesses need to have an accelerator, and if they do have one it would have to target the specific know-how needed in that particular business. They may instead look at the regional level of multinational corporations and select foreign startups to join their own projects.

In A&Is there are no true winners in themselves. The ones that fail to adapt to the local market, or underestimate the importance of institutional support, will struggle and die. We believe in the macro-view and only when the entire ecosystem – A&Is, companies, government, VCs, and startups – is leaping ahead will Thailand become the winner.

"AFRICAN TECH" IS GROWING FAST

Africa, a new land of opportunities for accelerators and incubators?

Acceleration and incubation activities have not been limited to developed countries: new ecosystems are being created in developing countries and raising interest in financial support from diverse organizations.

"African Tech" is growing fast. According to the African Development Bank, 72% of African youth say they are greatly attracted by entrepreneurship, which is seen by many as a vehicle for success especially if they do not have the opportunity to study. They see startups as a way to satisfy local demand not met by existing companies or the state. They are also a way to tackle the informal economy. Startups are therefore promising economic structures for the development of Africa, and their numbers are rising rapidly, but the young entrepreneurs would benefit from the support offered by A&Is.

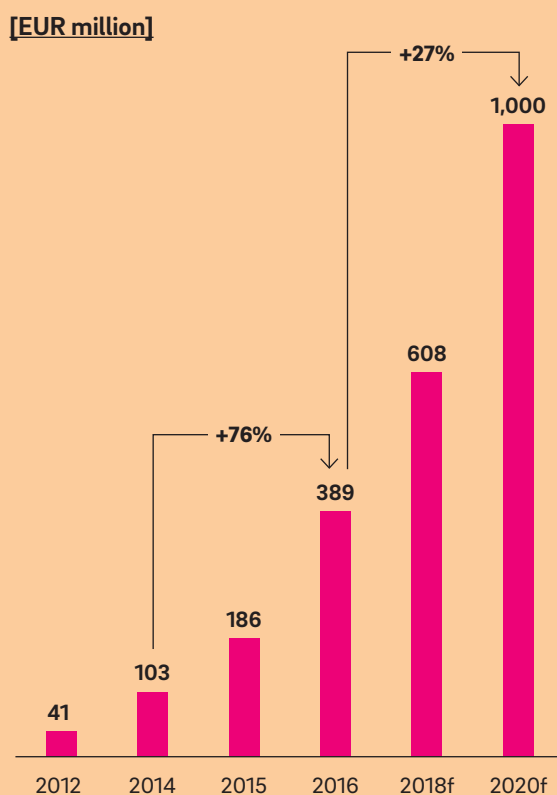
African states are somehow reluctant to support this new form of entrepreneurship. For instance, the "Boost Africa" initiative, launched by the African Development Bank and the European Investment Bank, allowed the raising of EUR 30 million, but African states are not willing to use these funds. A&Is may therefore have to overcome these difficulties.

New regions such as Africa appear to be the next source of growth for A&Is. The African entrepreneurial ecosystem is taking shape and venture capital funding to African tech startups is growing strongly (+27% compound annual growth rate expected between 2016 and 2020). There are currently 173 A&Is in Africa that need to be further developed.

Further venture capital structuring is required and in particular there is a large gap for deals below USD 10 million. Only 1.5% of all loans in Africa go to small and medium-sized enterprises (four times lower than in developing countries elsewhere), so A&Is have an important role here.

So far only the Jumia Group has expanded across Africa. Launched in 2012, it operates in 26 countries and employs more than 5,000 people. It is the first African unicorn, earning EUR 288 million in 2015, and bases its success on the rapid duplication of a successful model and efficient implementation.

VC FUNDING TO AFRICAN TECH STARTUPS¹



¹ Excluding megadeals: Jumia, Takealot, AIG

Source: Partech Ventures, The next Africa 2015, Roland Berger

In search of a new role for accelerators and incubators.

It is a fact. Over recent years, successful new companies have rarely come from an accelerator. Does this mean that accelerators and incubators are no longer necessary? Of course not. Their role has changed though, and their focus may be less about startups and more about stakeholders who increasingly need to understand the innovation market.

CHANGING DEMAND

Some startups no longer need to go through an accelerator or incubator to get office space, coaching, mentoring, or investment. Entrepreneur methods and operations have become mainstream, and startups are not a new industry.

However, ever faster technological change and the expanding world of innovation are still foggy, and companies, venture capital funds, governments, and others wish they could be clearer. Accelerators and incubators are at the cutting edge of innovation, and technological and economic progress. They help investors to find and select talent, and to prioritize their objectives. To a certain extent, A&Is are irreplaceable since they provide a structured pipeline of startups, so enabling their clients to enter the innovation market.

All in all, it's almost as if demand has changed side: startups no longer need accelerators and incubators to get access to investors, but many stakeholders need them to identify the right startup to invest in, or support. In this context A&I programs must deal with three main clients: companies, venture capital funds, and public authorities.

Companies now have significant expertise in incremental change. They have introduced and updated methodologies and requirements for the training of startups, creating in-house A&I programs such as the BMW Startup Garage. However, since a breakthrough innovation needs to be more than just an improvement of an existing process or product, companies need A&Is to find innovation that will transform their business models and products in the long run – in 10 or 15 years. This process must be secure and it is in companies' best interests to finance A&I programs.

Venture capital companies and business angels also depend on high-performance accelerators and incubators. Investors often ask themselves questions about projects that A&Is can answer. They can count on the initial accelerator's "market skimming" to diminish screening time and costs, and then benefit from privileged access to many interesting and qualified targets. Pertinence of a given strategic positioning, credibility of objectives, or even the need for a complementary team member – all these questions can be answered by an accelerator.

Governments and public authorities also have a greater interest than ever in supporting successful A&I programs, which are tools to greatly strengthen local economies, support the creation of highly skilled jobs and create partnerships between economic and scientific ecosystems. Public authorities are also turning to startups to change their own organizations, and partnerships with incubating structures may make sense here.

SUPPORTING SUCCESSFUL A&Is, AND PROVIDING VISIBILITY AND ACCESS TO INNOVATION

New business models, new offers

The fragility of the business model is the main threat to many structures. Although still widespread, equity-based models no longer look promising and betting on successful exits is now too uncertain. Investment from companies, venture capital funds, or governments, according to specifications and shared objectives, is likely to ensure stable and long-term financing.

Along with new business models, new offers can be developed. They comprise mainly more technical and longer-term support to projects, which means that they make more sense when entering the market. Industry verticals, in other words specialized technical platforms on specific technologies (such as blockchain and biotech), will be part of successful programs beyond general mentoring.

Emerging "services for equity" offers include media, IT, marketing, chief technology officer, and consulting for equity. In the early stages of development, startups often do not have not enough time and money to boost their growth, develop new technologies, and increase their brand's visibility and awareness. They are therefore turning to other sources of funding to address these challenges and grow rapidly.

As a result, A&I have adapted their services to meet the needs of startups, whose requirement for external expertise often exceeds the desire for cash. Providing a service in exchange for capital shares then puts everyone at the same level, building something out of a partnership and not a pure transaction. In this way, both sides pursue the same long-term goal, success for the business, and know they must do their part to perform well together. This commitment and shared risk increase the chances of success.

Scale, brand, and community

This is what could be called the "Station F" strategy: becoming the "must have" through a strong size and brand effect, and attracting the best projects to the brand. The co-presence of all stakeholders – public services, companies, and entrepreneurs – creates a community, which if it persists, will have long-term leverage effects.

In this increasingly concentrated market, besides champions playing the brand and size card, most accelerators and incubators will have to avoid the "winner takes it all" effect. For this, specialization strategies are becoming ever more appropriate. Having dedicated offers on disruptive technologies, difficult to master, that will shape the business tomorrow, such as artificial intelligence or blockchain, will be an essential asset.

ANIMATING INNOVATION ECOSYSTEMS

Accelerators and incubators should become the heart and the focus of innovation ecosystems, fostering collaboration between researchers and investors, and circulating ideas, capital, and technologies.

Hackathons and challenges are innovative methods of bringing all participants together. Today, the challenge is more to bring out shared work tools, such as data exchange platforms, to accelerate and deepen collaboration.

Most importantly, the link with research labs is currently too loose, and on rupture technologies of the deeptech type, such as artificial intelligence, this needs to be renewed. A&Is may become tomorrow's technology transfer organizations between researchers and the industrial world, which requires closer ties between research, companies, and startups. ♦



Axelle Lemaire

Global Head of Terra Numerata

Axelle Lemaire is the Global Head of Terra Numerata, Roland Berger's innovation ecosystem. She previously worked as a French Government Minister in charge of digital affairs and innovation.

How do you view the boom in incubators and accelerators?

This boom has occurred in the past couple of years, with incubating structures sprouting up around the world. These have addressed a real need by offering a framework, sound advice, money and visibility to startups that were struggling to get funding and clients. They have helped to grow the startups individually, and also by contributing to the growth and maturity of the innovation ecosystems. They are now an essential entry and exit point in the life of a startup. More recently, they have also started helping large corporate companies to define and implement their open innovation strategies. Are there "too many" incubators or accelerators? It depends on the objectives: If it is pure return on investment in startups, possibly yes. If they make the innovation industry more diverse, vibrant, original, and global, I would say no. If there are many shopkeepers in a certain place, it is a good sign and shows dynamism, and it's the same with incubators and accelerators.

You have been an Innovation Minister in the French government. How did you view incubation and acceleration programs as innovation tools?

There was no "one type fits all" model but different profiles and fields of expertise. For example, some structures were seeking to have a positive impact, and others were good at fundraising or advising on business models, regulations,

marketing and sales, and going international.

As part of the Government's French Tech program launched in 2014, the public investment bank (BPI) co-invested with private funds in selected acceleration structures across France. We also used incubators as places to welcome foreign entrepreneurs receiving the "French Tech visa" to make France welcoming for startups. Locally, incubators and accelerators often help to bring together entrepreneurs and corporate partners, researchers and students, people and ideas. They can also provide infrastructure such as data sharing platforms.

A "French Tech city" is labeled as such if it offers the conditions for a lively and successful ecosystem. Not all ecosystems are designed for similar purposes: EuraTechnologies in Lille is an example of a publicly funded startup enabler which does not necessarily aim to create extremely high-value startups like unicorns, but rather helps to promote viable small and medium-sized enterprises. Away from the larger cities, incubators are often linked to factories, medium-sized companies and research centers, and can be used to increase innovation and local employment.

What makes a good incubator or accelerator?

There is no secret recipe, but the best choice for startups is when there is no equity excess and the arrangement provides more than just mentoring. Good incubators and accelerators are essentially structures that help startups to grow. The main objective is therefore to create: added value, which comes with the right tools; the right team of dedicated and knowledgeable people; a sense of community; and an innovation-minded spirit that speaks up when a business model needs changing. The best structures attract the best startups, but also keep close links with key investors and corporations.



Grégoire Schiller

Founder of Simundia

Grégoire Schiller is the Founder of Simundia, a project based on an innovative tool for individual remote coaching. Since July 2017 this startup has been incubated at the Station F campus in central Paris.

How is Simundia incubated at Station F?

Simundia has been part of the HEC (HEC Paris international business school) incubation program since 2016. In July 2017 we moved into the premises we occupy at Station F. To get access to a full-time residency in the program, we pay 200 euros per desk each month. That gives us access to complementary support from both HEC and Station F.

However, since Station F knows that innovation is not "one size fits all", it offers 26 startup programs. These fit the startups' activities and push them much further, using mainly individually tailored resources that are available at any time. Programs vary by type and duration.

For incubation, how does Station F add value?

Firstly, Station F provides a whole startup ecosystem under one roof. The incubated startups vary widely in terms of their profiles and required support. Some are university-linked, others are based on companies, and some are publicly funded. We all operate in an environment centered on innovation, and everyone can see and be inspired by other startups' projects. We are constantly encouraged to share best practices and synergies, which we like doing.

Next, Station F is reputed to be the world's biggest startup campus, and this brand effect really benefits startups. Only a certain number of startups are allowed into Station F, and this selectivity assures seriousness and quality.

Finally, the setting is ideal: Station F manages to be spacious, cozy, quiet, and bright. It's a great place to work, and to welcome commercial prospects and potential partners. People are curious about Station F, so appointment scheduling is easier and this saves us time.

How do you see your future after Station F?

We hope to stay at Station F for another year. We employ five people, but when we reach 10-15 staff, which would coincide with new fundraising, we will invest in our own premises.

METHODOLOGY

This "Accelerators & Incubators" study is based on a mapping of existing accelerators and incubators in various world regions, an online survey of around 200 A&I structures worldwide, conducted in 2016/2017. The questionnaire covered six main aspects of A&I programs: enrollment, offer, features, investment, space, and specialization. It involved a qualitative analysis, interviews with program managers, and consultations with experts on the topic.

More than 50 countries are represented in the survey panel, mostly in Europe (41%), Asia (18%) and North America (18%).

RESPONDENTS PER GEOGRAPHICAL LOCATION

NORTH AMERICA: 34

Canada: 5
Mexico: 4
United States: 25

LATIN AMERICA: 19

Argentina: 1
Brazil: 14
Chile: 1
Colombia: 1
Costa Rica: 1
Uruguay: 1

EUROPE: 78

Austria: 2
Belgium: 3
Czech Republic: 1
Denmark: 3
France: 11
Germany: 24
Greece: 1
Hungary: 2
Ireland: 1
Italy: 3
Netherlands: 1
Poland: 4
Portugal: 3
Romania: 1
Russia: 3
Spain: 7
Sweden: 1
Switzerland: 1
Ukraine: 1
United Kingdom: 5

MIDDLE EAST

& NORTH AFRICA: 19

Cameroon: 1
Israel: 7
Lebanon: 1
Madagascar: 1
Morocco: 1
Nigeria: 2
Tunisia: 1
Turkey: 3
United Arab Emirates: 2

ASIA: 35

China: 3
Hong Kong: 1
India: 3
Indonesia: 6
South Korea: 1
Malaysia: 5
Pakistan: 2
Philippines: 1
Singapore: 4
Thailand: 6
Vietnam: 3

OCEANIA: 7

Australia: 5
New Zealand: 2

REST OF THE WORLD: 9

ABOUT US

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Navigating Complexity

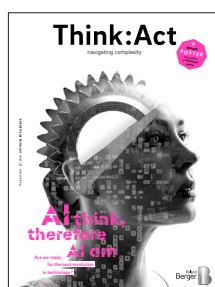
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FURTHER READING



JOINING THE DOTS A map of Europe's AI ecosystem

Roland Berger and France Digitale partnered up to provide the first comprehensive overview of the European AI ecosystems based on data on startups, research labs, and AI communities.



AI THINK, THEREFORE AI AM Are we ready for the next revolution in technology?

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