ACCELERATE NOW!

CURRENT TRENDS AND STRATEGIES FOR THE FUTURE

Proudly supported by L'ATELIER BNP PARIBAS GROUP

NUMA is delighted to release this whitepaper based on the insights coming out of our 2-day European Accelerator Summit, which took place in Paris at NUMA last December.

The Summit is where together, as sector decision makers, we shape the future of acceleration. No bling, no buzzwords, no incredible-speaker-who-knows-all... Just 150+ leaders from some of the world's top accelerators, cooperating and collaborating to brainstorm on the current trends and future of acceleration.

Why? Because we face common challenges and, thus, need to dedicate time to stepping back, sharing our experiences and reflecting on where our sector is heading. In Europe, in particular, our coordination must improve in order to enable the companies we accelerate to compete on a global scale. This collaboration will also make us, as accelerators, better equipped to grow our own programs, something we at NUMA are witnessing first-hand as we launch our own expansion to various ecosystems around the world.

How? Work, work, work. In order to foster engaging and productive debate, we structured the Summit around key themes such as, 'Bridging the best startups to large corporates' and 'New and existing business models', which you'll see elaborated on throughout in this whitepaper. We were also fortunate to have had supremely qualified participants joining us, bringing great ideas and real depth to our discussions.

The result of all this collaboration and brainpower is detailed in this whitepaper, an important contribution in structuring the future of acceleration. Or, at least, offering accelerators and other key stakeholders some impactful ideas on shaping their future and accelerating the development of their ecosystems. :)
Happy Reading!

Marie-Vorgan Le Barzic
CEO, NUMA.

At the culmination of a long-term collaboration with NUMA, we are delighted to have had the opportunity to participate in and bring together all of the key acceleration players to collectively produce this white paper! Regularly analysed at L'Atelier, the buzz associated with these initiatives reflects the current momentum around these innovative startups.

It should be noted that quite a few large companies and institutional players are launching into the adventure of incubating and accelerating startups. Plugged into the real economy, startups seduce with their agility and their mindset, and they're even beginning to establish themselves as key partners for those who are engaged in the race to achieve open innovation. At the same time, for the more "traditional" corporations, good intentions are not enough! Besides being both a source of inspiration and protection for the startups, the success of such projects requires working in close collaboration with all the players in the innovation chain (support and funding). And whatever its objective may be, an acceleration program must be proactive, selective and intensive, starting with those accelerators described as "corporates" :)

As an invaluable guide to best practices for everyone who wants to participate in this adventurous journey, the following pages present the state of the art of all of the initiatives and alternative models that have emerged in recent years.

Let's Accelerate !

Yoann Jaffré
Head of Open Innovation LAB
de L'Atelier BNP Paribas.

TABLE OF CONTENTS

EXECUTIVE SUMMARY... 5

WHAT IS AN ACCELERATOR.. 9

PRE-ACCELERATION... 17

VERTICALIZATION... 27

THE CHANGING ACCELERATOR-CORPORATE RELATIONSHIP.. 33

GOING GLOBAL: INTERNATIONAL EXPANSION AND ACCELERATOR NETWORKS 43

THE EVOLVING BUSINESS MODEL... 49

EXECUTIVE SUMMARY

Late last year, NUMA, a leading tech and innovation hub in central Paris and home to France's first accelerator program, held its first ever European Accelerator Summit. The Summit brought 150+ accelerator leaders from across Europe and beyond to discuss and debate the current state and future of acceleration. Using collaborative workshops and interactive talks, the purpose of the 2-day conference was to identify the top trends and challenges facing the accelerator sector as well as ideas and viable models to reinforce the future of acceleration.

Leveraging the ideas and content generated from the Summit, we've developed this whitepaper which focuses on the top trends in acceleration as well as the challenges, opportunities, and promising models for the future.

The startup acceleration sector, which was started 10 years ago by Y Combinator has grown almost exponentially and evolved enormously since its founding. Although the sector continues to grow, it is also facing an ever-changing landscape that poses both opportunities and challenges.

AT THE EUROPEAN ACCELERATOR SUMMIT, THERE WERE FIVE BIG TRENDS IDENTIFIED WHICH ARE AFFECTING AND RESHAPING THE SECTOR :

PRE-ACCELERATION

The overall quality of startups applying to accelerator programs is still not high enough. This problem is particularly acute in 'developing' startup ecosystems.

An answer to this dilemma? Structured pre-acceleration programs, Innovation Hubs/ Coworking spaces, and Universities.

VERTICALIZATION

One of the most significant trends is the shift towards vertical accelerators. This shift is being driven by the:

- Maturity of the accelerator sector
- Realization by startups, especially in sectors like IoT and finance, that there is increased value in being accelerated with sector experts who can also offer valuable connections
- Corporates awakening to the inherent value of engaging with startups

Accelerators moving towards verticalization need to plan the transition properly. 'Infrastructure' must be ready on day one.

THE CHANGING CORPORATE: ACCELERATOR RELATIONSHIP

There are three types of corporate-accelerator relationships, corporates as:

- Sponsors: a fairly easy, low risk first step for corporates to engage with the ecosystem
- Competitors: situation that arose as corporates increasingly sought to start their own accelerators
- Partners: corporates are now seeking guidance from accelerators on everything from how to best engage with startups to launching their own accelerators.

Accelerators' knowledge on engaging with startups is increasingly valuable to corporates. Accelerators need to act on this trend and look for 'win-win' partnership models with corporates.

GOING GLOBAL: INTERNATIONAL EXPANSION AND ACCELERATOR NETWORKS

While growth in the accelerator sector continues to be robust, it's clear that a market consolidation and contraction is on the horizon.
Due to their geographic location or lack of strong brand, many accelerators would be better served by joining networks.
Networks will become increasingly important for accelerators as startups as they look to expand globally. Initiatives like accelerator exchange programs are just a first step in what ultimately should become a full-service accelerator network.

THE EVOLVING BUSINESS MODEL

Outside of the top 2 or 3 accelerators, there is lingering doubt that the accelerator sector has been able to find a workable business model for long-term

While government funding has been integral to getting accelerators started in many markets, this source of funding is deemed more appropriate for the short-term.

There are several viable paths for accelerators to generate cash or capital, including:

- Raising funds
- Startup equity
- Acceleration as a service
- Expand program size or geographic reach
- Monetizing space
- Fee-based model

Given that a select number of accelerators have clear, sector-leading results or global brand recognition, a "full-stack model", incorporating several of the above paths, may be the most workable approach.

In this whitepaper we'll explore in more depth the dynamics surrounding each of these trends, discuss any challenges and opportunities each offers and, when applicable, discuss ways accelerators can leverage each to improve their performance and business model.

WHAT IS AN ACCELERATOR?

> *"I think of accelerators as a form of venture capital that emerged due to growing entrepreneurial culture. In the early days venture capital emerged to help build the early stage companies that public markets could not fund. Accelerators emerged as a seed or pre-seed stage form of venture capital. The current model is to help the company with product market fit, growth, and financing, in exchange for equity."*

Alex Iskold
Managing Director Techstars NY

WHAT'S AN ACCELERATOR?

This year will mark the 10 year anniversary of startup acceleration as we know it today. In March 2005, Y-Combinator was launched by Paul Graham, Jessica Livingston, Robert Morris and Trevor Blackwell. What started as simple program to help young founders understand how to build and grow a company, has evolved into a truly global movement.

In the upcoming book 'Accelerate", an accelerator is described as follows: "Startup accelerators, or seed accelerators, are typically for-profit organisations that foster a physical environment that supports accelerated growth for startups." (1)

Although the concept of acceleration has evolved over the last decade and spurned different models (more on that in a moment), there are some basic characteristics accelerators tend to share:

TYPE OF STARTUPS ACCELERATED	Scalable tech startups
PROGRAM PHASES	Accelerator programs are generally structured around three distinct phases: 1) set-up, deal flow and selection, 2) kick-off of the program through demoday and 3) follow-on investments and exits (2)
SELECTION APPROACH	They aim to be highly selective. The selection process can be quite rigorous, with low selection rates (ie under 10% in many programs). Increasingly the selection process requires more than a one time interaction, involving multiple phases, including pre-screening, multiple meetings, final pitch and Q&A session, etc Selection criteria tend to focus on: • Founder team: qualities such as resourcefulness and open to criticism and change • Vision: ambitious, global, disruptive • Product: increasingly, accelerators are looking for a team with a solid prototype and, preferably, several users or a few solid customers
STAGE OF COMPANIES ACCELERATED	Pre-seed to seed stage, with accelerated startups increasingly falling into the seed stage phase. Another way to look at the startup lifecycle, which arguably tends to be easier to apply more broadly across different contexts (e.g. geographies, etc), is Startup Genome's Marmer Stages approach (3) : 1) Discovery (validating concept and market need), 2) Validation (market interest and willingness to pay), 3) Efficiency (business model refined), and 4) Scale. Accelerators tend to focus more on stages 1) - 3)
PROGRAM LENGTH	Programs tend to run in the 3-5 month time range. This differs substantially from incubators where programs are often much longer (1-2 year timeframe) (4)
ACCELERATOR CLASS SIZE	Small or manageable class size in order to give more tailored and relevant advice and support to startups
COMMUNITY	Accelerators rely heavily on a community of experts, mentors, program alumni and others to help startups develop during their time in the program. Mentors and experts are usually unpaid
DEMO DAY	All tend to have a demo day at the end of each program when startups pitch in front of investors, media and other key players from the tech ecosystem

DIFFERING MODELS

As mentioned, overtime acceleration has evolved. There are a several models that have emerged:

HORIZONTAL VS VERTICAL ACCELERATORS

- Since their inception accelerators have a generally been horizontally focused.
- Overtime, as the acceleration sector has matured and increasing numbers of startups are focusing on more technically focused sectors (i.e. IoT, fintech), vertical accelerators, accelerators that are oriented towards a particular sector, have become more prevalent.
- These programs tend to have the same structure (i.e. length of time, number of startups, stage of startups, etc) as traditional horizontal programs, but differ in that they give startups access to sectoral experts and mentors as well as certain resources that are often out of the reach horizontal programs, such as access to production facilities, manufacturers or retailers (i.e. in the case of IoT).

PRIVATE VS SEMI-PUBLIC VS PUBLIC

- Many accelerators, particularly in Europe, have some type of involvement with the government, often in the form of financial support. Some accelerators initially grew out of government entities or were predominantly financed by government funding.
- Overtime however, a semi-public or private-public funding model has emerged (again, particularly in Europe). Many of these accelerators are now exploring how to move away from public funding towards a purely private model. This obviously presents a big challenge as this transition can represent a shift in their 'DNA' as they want to both preserve their ability to grow the ecosystem, which often relies on free or near-free events and services, and identify a sustainable business model.
- Private accelerators are generally the norm. However, these accelerators face increasing challenges, as well, particularly in terms of identifying how to grow or finding a sustainable business model. We'll expound on those issues later in this whitepaper

'TRADITIONAL' VS CORPORATE ACCELERATORS (OR 'CORPACCELERATORS')

- Acceleration as a concept began as group of individuals who came together to develop an approach and eventually created a business preparing startups for growth via short, high intensity programs.
- Eventually corporates who prioritized working with startups, saw the value of acceleration programs and began to launch their own.
- Many corporates have launched accelerators. This hasn't always been a smooth process as some corporates have made longer-term commitments to their programs while others have had more of a 'start and stop' approach as a result of the ever-changing economic and business climate

STAGE OF THE STARTUP: PRE-SEED VS SEED VS SERIES A OR DISCOVERY VS VALIDATION VS EFFICIENCY VS SCALE

- Overtime, the concept of acceleration has been extended into later stage companies. While most still in focus on the very early phases, there are some accelerators beginning to work with startups that have already raised a significant seed or even a series A round, falling into what one could call the Scaling phase.
- While these are still the minority, having later stage startups in acceleration programs brings a fairly fundamental shift in terms of the types of support and services these startups need. We'll explore this as well in more detail later in the paper.

“*Accelerators have increased the overall quality of startups, but the value increase is being provided by 5 out of 100+ accelerators. The non-gold standard (the second and third tier) accelerators are basing their advice and their operational models off of those in the tier 1, so they are providing derivative value. You can also take into account the fact that the 2nd and 3rd tier accelerators are often operating in different geographies, and are providing opportunities to local startups that wouldn't otherwise be available.*”

Dave Smith
Principal Digital Garage

METRICS
THE INCREASING IMPORTANCE OF KPIs

As many accelerators have investors and are actively competing to recruit the best startups into their programs, KPIs are becoming increasingly important. Some of the most common metrics for accelerators include:

- Survival rate of startups going through the program: i.e. how many are still operational 4 or 5 years after graduating?

- Total market capitalization of startups having gone through the program: Y-Combinator often uses this metric, on which their performance has been quite impressive. Currently, they estimate the total market cap of Y-Combinator companies to be more than $30 billion, of which 32 YC companies have market caps about $100 million (5). It is important to note though that 3 companies – Airbnb, Dropbox and Stripe, make up the bulk of this total market cap estimate. (6)

- Number and total value of exits

- Number of startups valued over a certain amount (i.e. over a 50 or 100 million valuation)

To have solid stats on the above metrics is no easy task. Gathering the necessary information to track progress along these metrics requires strong relations and regular contact with alumni. In addition, there is a growing point of view that these metrics may not be the right ones, particularly for startups that are likely either still in the early stages of their development, and/or that a broader range of criteria should be looked at. We'll take a look at some thinking on other metrics that can be considered.

WHERE IS THE SECTOR GOING?
THE TOP TRENDS

Although there are many aspects of acceleration that we could explore in this whitepaper, we've decided to focus on five trends that are revealing both opportunities and challenges for the sector , namely:

1. **Pre-acceleration**
2. **Verticalization**
3. **The Changing Corporate - Accelerator Relationship**
4. **Going Global - International Expansion and Accelerator Networks**
5. **The Evolving Business Model**

"*Accelerators really started to shift and morph starting about 3-years ago. We've seen new things evolving and people asking 'hey why don't we do a film accelerator' 'or a social innovation accelerator' 'or corporate accelerators' etc etc. That process of diversification and differentiation is interesting but I think it's really myopic to just look at what's been happening with accelerators within the framework of 'if it's not a 13-week program it's not an accelerator' 'if they don't ask for equity it's not an accelerator'. Because the market's moving so quickly at the end of the day it's really the acceleration process of the startup that's interesting.*"

Sean Kane
Cofounder f6s

PRE-ACCELERATION

As accelerators have grown en masse in Europe and elsewhere, the competition for top startup talent, both the best startups and the best innovations, has begun to heat-up. It's not just the rapid increase in number of accelerators that is driving this, but also the fact that if an accelerator wants to succeed in the medium-to-long-term, it's only as good as the number of first-rate startups it graduates. As a result a stark realization has taken hold; while the general population is more knowledgeable about entrepreneurship, the overall quality of startups applying to accelerator programs is still not high enough. This problem is particularly acute in 'developing' startup ecosystems. In addition, as more people become interested in starting their own businesses, there is not only an increasing number of people who need to be educated about entrepreneurship, but also a more diverse audience of people seeking information, education and guidance.

An answer to this dilemma?
Pre-acceleration via Structured pre-acceleration programs, Innovation Hubs/Coworking spaces, and Universities.

PRE-ACCELERATION

STRUCTURED PROGRAMS

Examples:

Tetuan Valley
Startup Pirates
Startup Week-end
Startup Bus
Founders Institute
Startup Next

INNOVATION HUBS / COWORKING SPACES

Examples:

Numa *(Paris)*
Beta-haus
(Berlin, Hamburg, Barcelona, Sofia)
Google Campus
(London, Tel Aviv)
Impact Hub
(63 + locations around the world)

UNIVERSITIES

Examples:

Stratx *(Stanford)*
ESCP *(Blue Factory)*
Accelerate Cambridge
(University of Cambdrige)
Accelerate Centre
(University of Waterloo)
Melbourne Accelerator
(University of Melbourne)

THE RISE OF PRE-ACCELERATION PROGRAMS

Given its fragmented geography, Europe has seen a number of pre-acceleration programs emerge over the years. From the ‘light-touch’ versions, such as the ubiquitous Startup Week-end or Startup Bus, to longer, more intense programs such as Tetuan Valley or Startup Pirates, these important players aim not only at introducing participants to the world of tech entrepreneurship, but also at helping budding entrepreneurs understand what it means to build a high-growth startup and assesing if tech entrepreneurship is, in fact, right for them.

As with accelerators, pre-accelerators also need to be formed with the right objective.

Unlike equity-based accelerators that tend to be more focused on the eventual financial success of the startups in their programs, pre-accelerators need to be focused not only on skilling-up the entrepreneurs they work with but also on building the overall tech-ecosystem.

This is particularly important in ecosystems where the country culture is not very entrepreneurial. Pre-acceleration plays a particularly important role in challenging and changing cultural handicaps such as penalization of risk, lack of ambition and lack of self-confidence.

Of course these structured programs have been around for even less time than traditional accelerator programs, so the business model is not yet proven and, as such, their viability in the long-term is uncertain.

However, it’s increasingly evident that these programs have done a very effective job at both introducing masses of people to entrepreneurship and giving them a basic level of education about what’s required to build a business.

“Pre-accelerators need to think about the long run and focus first on the community. As a pre-accelerator, you’re helping people take their first steps in entrepreneurship. Most entrepreneurs we see are not ready for another 2-3 yrs to launch their own startups. Most start with us and have ideas that are not fully thought through or have a lot that needs to be changed before their idea can become a viable business. We have others that start the program and realize that entrepreneurship isn’t for them or that they need to work in a startup first before launching their own. So if someone comes to our program and decides not to start their own business, we don’t see this as a failure. We feel we’ve done them a favour. It’s part of our work, it’s what we do.”

Carmen Bemejo
CEO Tetuan Valley (based in Madrid and Barcelona)

LOW RISK, LOW COST LEARNING ENVIRONMENTS: INNOVATION HUBS AND COWORKING SPACES

Innovation hubs and coworking spaces have also proven extremely useful in helping to address the entrepreneurial skill-gap. By offering a community, education programs, and access to mentors and experts, these hubs for innovation and startup creation have an important role to play in facilitating and preparing the next crop of successful startups. Launched in 2009, Beta-haus is a good example of a coworking space that grew organically into an entrepreneurial hub that spans several European cities. Though they have a tech slant with activities such as their recently launched Hardware.co accelerator, they stress that their mission isn't only limited to tech startups. As with many innovation hubs and coworking spaces around the world, their mission is increasingly about encouraging entrepreneurship in all its forms.Like many innovation hubs, NUMA started out 14 years ago as a tech advocacy organization and, eventually, coworking space. With time however, they realized that delivering transformational experiences for their community required not only launching their own accelerator, but also providing entrepreneurial learning opportunities that addressed the broader, varying needs of the burgeoning startup ecosystem. NUMA currently runs 300+ free or low cost events, including trainings and conferences for the tech community, offering accessible entrepreneurship and tech learning to all.

"*It's important to have a strong tech industry as we have in Berlin. But we're definitely not focusing on only on tech. A scalable business is a goal for some, but the broad majority of people and entrepreneurs are normal people who are launching all types of businesses. We've done this for a long time and after having this strong personal interest to create a space like this, today I would say it's all about fostering entrepreneurship.*"

Max von der Ahé
CEO & Co-Founder Beta-haus

UNIVERSITIES HAVE AN INCREASINGLY IMPORTANT ROLE TO PLAY

Arguably, universities, particularly those outside the US were slow to respond to the 'startup revolution'. Although a substantial amount of research and early-stage technological innovation comes out of universities and from their students, many schools were slow to adapt their curriculums or support students who opted for the entrepreneurial track. This has changed significantly in recent years. Many universities now incorporate courses around entrepreneurship and innovation into their curriculum or, even degrees. In addition, several, whether at the undergraduate or masters levels, have as a first step, moved to launch their own incubators, and, more recently accelerators. ESCP's Blue Factory,Stanford's StartX, University of Cambridge's Accelerate Cambridge, University of Waterloo's Accelerate Centre, etc. there are more and more university-led incubators and accelerators coming on the scene.

Although more 'traditional' and corporate accelerators could view university-led accelerators and incubators as competitors, they're increasing coming to view them as valuable partners, namely because universities have one very important and valuable advantage - first access to the brightest, young tech talent. Many accelerators and structured pre-accelerator programs already view universities as important 'feeder schools' for their programs, a trend that is likely to grow.

THE TAKEAWAYS

- *As the global entrepreneurial community continues to grow, more pre-accelerator programs are needed. Accelerators in some locations, particularly those working with extremely early stage startups, may want to consider shifting their focus towards pre-acceleration*

- *The objective of these programs should focus on building the ecosystem rather than preparing already formed startups for the next phase (i.e. raising seed or series A round or scaling up)*

- *Coworking spaces and tech hubs must keep in mind that they play an important role in the pre-acceleration process. As illustrated in the Beta-haus and NUMA examples, offer coaching and training opportunities tailored for this audience*

- *Explore opportunities to partner with universities as well as their incubators or accelerators. They are particularly a useful partners in terms of sourcing*

“*In terms of working with university incubators, we looked at the 40-50 startups we already had in our program and realized that a lot of them were coming from university incubators. What we discovered when we looked at these incubators more closely was that they were able to help students put together a team and structure, conduct some market research, and develop some ideas around their first prototypes. However, from there they didn’t really know what to do and what the next steps were. That’s where we come in. There’s some strong synergies there.*”

Benjamin Joffre
General Partner HAXLR8R

VERTICALIZATION

THE RISE OF VERTICAL ACCELERATORS

One of the most significant trends within the accelerator sector is the shift towards vertical accelerators. According to GAN [(7)], approximately 25% of accelerators now have a vertical focus. What is a vertical accelerator exactly? At the recent European Accelerator Summit, Hanan Lavy from Microsoft Ventures explained [(8)]:

A Vertical Accelerator program is done in a specific vertical: ie fintech, cyber-security, health etc, by either:

- a generic accelerator-as-a-service model (i.e. Techstars) with a partner (Barclays fintechaccelerator powered by Techstars)
- a corpaccelerator – i.e. Citibank accelerator
- partnerships – Microsoft Ventures Accelerator partnered with Akamai and JVP to run a cyber-security accelerator

To round-out this definition, we would also add to the generic accelerator-as-a-service model independent, vertical accelerators such as Startupbootcamp (who have 10 programs, all of which have a vertical focus) and hardware-focused HAXLR8R in Shenzen, China. These accelerators have an equity-based accelerator model, with their funding coming primarily from investors and/or traditional corporate sponsorships.

As Hanan Lavy notes, these types of accelerators resemble the more traditional horizontal accelerator in terms of program structure, but have mentors who are subject matter experts in the vertical field, deeper connections to the sponsoring corporation (in the case where a corporation is deeply involved), and can offer more subject-matter focused professional sessions. These types of accelerators are also increasingly giving startups access to valuable resources in particular areas that are critical in terms of the development of their business. So, for example, as HAXLR8R is located in Shenzen, they can give participating startups access to manufacturers that they likely wouldn't have had access to otherwise. Similar to other hardware accelerators such as Beta-haus' Hardware.co in Berlin or Buildit in Tallin, Estonia, they also give startups access to the machinery and equipement required to develop high-quality hardware prototypes

“There started to be a more general move to thinking about things from a vertical approach. It’s easier to help someone out if you have experience with that type of company. If you can get specific advice from someone who’s built a financial company before or knows the banking industry, that’s going to be particularly valuable to you if you’re a fintech startup. So our decision to focus on verticals was - driving by two key things - thinking about the industry and how we could fill a gap and also thinking about the needs of the startups themselves. Ultimately we want to empower the best startups. So how can we best do that? By addressing the industry focus needs.”

Alexander Guy
Global Marketing Manager Startupbootcamp

WHAT'S DRIVING THE SHIFT?

There are a couple principal reasons for the increasing shift to vertical accelerators. Firstly, this is a natural evolution and, perhaps even, the natural maturity of the accelerator sector.

Startups are starting to realize, particularly in sectors like IoT, electronics, and finance, that it is inherently more valuable to accelerate their business with experts who not only understand the fundamentals of the sector, but also have the connections within the sector to make a more marked difference for them on the product development, commercialization, and financing fronts.

The second reason comes down the change in perspective the global startup revolution has brought to corporations. With startups essentially disrupting everything from mobile telecoms to banking to transportation, large corporates are quickly realizing that they need to get much closer to startups so as to not miss out on the next disruption in their industry.

Some, such as Microsoft, Orange, Google, and Amazon (the latter two were startups not so long ago themselves), were quicker than many of their multinational peers to identify ways to connect with and support startups.

Some were able to achieve this more effectively than others, but at the very least, they understand the opportunity startups could offer for their businesses. Slowly, but surely, others such Deutsche Telecom, Sprint, Disney, IBM, and even consumer products firms like Unilever started to get into the game, launching startup focused platforms, sponsoring startup-focused events and accelerator programs, holding pitch competitions and, of course, launching their own ‘corpaccelerators’, which tend to have a vertical focus.

Some such as Deutsche Telecom (Hub:raum) opted to launch accelerators on their own, while others chose to partner with an acceleration expert to do so.

Techstars has been at the forefront of this trend, having launched 8 [9] vertical accelerators which are either co-branded as ‘powered by Techstars’ or run as joint-ventures. More on this later in the ‘The changing accelerator-corporate relationship’ section.

THE TAKEAWAYS

- *Accelerators should explore opportunities to focus on verticals. This could be launched via a new program rather than a revamp of their current one.*

- *Examine closely in which sector(s) a vertical specific accelerator would deliver the most value for startups. In other words, look for sectors where working with sector specific experts or having access to particular resources early on in a startup’s development would make a demonstrative difference in their chance at success*

- *Accelerators moving towards verticalization need to plan the transition properly, taking the time to determine which type of sector-focused experts, contacts, and services are needed to offer a high-value program for startups. This ‘infrastructure’ needs to be ready on day one.*

“*A few years ago there was suddenly a dramatic increase in the number of new founders due to declining cost of building a company, the increasing knowledge about building companies. In addition, in the telco industry we realized that although we spent so much time, money, effort and brains on innovation, we didn't manage to build the type of disruptive innovation that was coming from startups like Skype (at first), Facebook, What's App. We wanted to find a tool or a way to participate in the startup movement, so we decided to build Hub:raum; a new brand, and platform to connect with the young startup ecosystem.*”

Axel Menneking

Head of International Program Management Hub:raum

THE CHANGING ACCELERATOR-CORPORATE RELATIONSHIP

“Everyday you should have people, investors, corporates, mentors in your offices, working with the startups, building the relationships. Corporate accelerators and incubators are sponsored by executives in the company, so it’s in the best interest of the company to bring those executives to the location to meet the entrepreneurs as much as possible to keep the interest high. The others, namely private accelerators, generally don’t do this as well. They don’t engage with the community, and particularly corporates, as well as they could. It could just be that it’s evolving, the game is changing, they’re more mature and now they need to engage more with the ecosystem.”

Anne-Marie Roussel
Silicon Valley-based Investor and Serial Entrepreneur

There are essentially three distinct types of corporate-accelerator relationships, which have emerged overtime:

CORPORATE AS:

SPONSOR

COMPETITORS

PARTNERS OR INVESTORS

SPONSORS

This is the classic form of engagement between accelerators and corporates and often the first step for corporates when they look to get involved with the startup ecosystem. 'Independent' accelerators typically have some type of sponsorship backing from corporations, often via sponsoring fees that are paid yearly by the corporate. In exchange for this support, the corporation generally receives visibility within the accelerator community, direct access to startups, and free or reduced price access to facilities for meetings or events. While accelerators look to this type of support as a key part of their financing equation, this doesn't really require much engagement from the corporate beyond providing funding. Thus, there is always a risk that the funding support could change or stop altogether from one year to the next.

COMPETITORS

Once corporates observe how acceleration works and start to understand the value engagement with startups can bring their businesses, they may move to launch accelerators on their own. This can put them in direct competition with 'traditional' accelerators for startup talent.

As mentioned earlier, corpaccelerators tend to be vertically focused and have become increasingly prevalent in recent years. Though on the rise, the startup community does have reservations about them, including concerns about conflict of interest or worries that startup will be 'wed' to a specific technology or platform. While these concerns are valid, corpaccelerators do bring significant upside to the ecosystem. Firstly, corporations are both important business development partners for and potential acquirers of startups. The better they understand the startup experience and perspective, the better future corporate-startup collaborations are likely to go. Next, corporations not only help facilitate business for startups within their accelerators, but can also give them access to other organizations in their network (e.g. customers, suppliers, etc). Finally, in regions like Europe where there aren't a sufficient number of startup acquisitions by European companies, it is imperative that key employees of large companies in these regions get more exposure to startups. Decision makers in these groups are not likely to advocate for deeper partnerships or acquisitions of startups unless they understand the value startups can bring their organizations.

Perhaps a bigger concern is around corporations' level of commitment to the accelerators they launch. There have been numerous examples of companies that have launched accelerator programs only to stop them a couple years later. This is particularly disappointing as most are aware that seeing a ROI out of any type of business requires a sustained commitment which takes a lot longer than a couple years. While these decisions may largely have been due to the fact the activities that aren't considered 'core' to the business are often the first to be cut, many of these decisions are likely rooted in a lack of clarity on how the accelerator delivers value to their business. Partnering, however, with other accelerators may be a practical way of addressing this problem...

“One of the core areas for accelerators to operate is in the corporate space. I agree that there aren’t enough purchases in Europe by large groups of startups and in tech. It’s not to put the blame on corporates in Europe that they’re not buying enough tech. They need to find ways of seeing synergies first before buying it. Before making an acquisition, you need to first see the interest for you. These synergies are not obvious today to these (large European) groups. Having an accelerator or incubator is a good place to start for them.”

Julien-David Nitlech
Investment Manager Iris Capital

PARTNERS

The accelerator sector as we know it is now 10 years old this year. Over the past decade the sector has accelerated countless startups and, with that experience comes expertise.
Corporations are now taking note and are looking to accelerators for guidance on everything from how to best engage with startups to launching their own accelerators.
More partnership and collaboration between the two is likely to be an important aspect of the future of acceleration.

Increasingly, corporates are seeking to forge deeper partnerships with accelerators.
As mentioned earlier, Techstars has launched several co-branded or joint ventures with various corporations to launch eight vertical accelerators.

These tie-ups are proving to beneficial for all involved. While they are, of course, financially beneficial to Techstars, corporations are also getting valuable advice on how to approach innovation from the startup perspective and experience.

And, of course, for startups, the hope is that corporates with better startup understanding will lead to more productive business development opportunities for them.

These types of accelerator-corporate tie-ups are still a fairly new development, so the next few years should prove how much they've been able to evolve the accelerator-corporate-startup relationship.

Corporations are also starting to realize that traditional accelerators can be very good sourcing partners for their own programs.
While this isn't always the case, corpaccelerators may opt to work with startups that are a bit farther along in their development, mainly because it is easier to identify commercial opportunities within their organizations or their networks for startups if they already have a product or service that has moved past the alpha stage.

As with VCs, establishing working relationships with other corpaccelerators and traditional accelerators alike can give them a more comprehensive view of possible startups that could be a good fit for their program.
Of course this also, in turn, benefits traditional accelerators as corpaccelerators regularly run across startups that may be a better fit for a more classic accelerator program.

Corporates can also partner with accelerators to develop and launch Open Innovation programs. While this could also be considered a "corporation-as-a-client" relationship, these types of programs often lead to a true partnership in the sense that both entities get a significant amount of value out of these types of collaboration.

For corporations in particular, these types of initiatives are a smart, often cost-effective way for them to connect with startups, instill entrepreneurial culture within their own organizations and, ultimately, create intrapreneurship programs for their employees

Finally, another way to tackle the challenge of connecting startups and corporates is for corporates who have already played a key role in the tech ecosystem to also get involved in the effort. BNP bank's l'Atelier group has been tracking innovation trends and guiding companies through digital transformation for 36 years.

They've played a particularly important role in the development of France's and other tech ecosystems across Europe by partnering with accelerators and other tech hubs such as NUMA, facilitating open innovation programs, and delivering much needed data and insight on how tech ecosystems are evolving.

In April 2015, l'Atelier launched the first open innovation accelerator called "Innov&Connect." Their 6-month program will essentially be a platform for startups and mid- to large-sized businesses to connect in order to support their respective growth. L'Atelier's thinking is that if corporates and startups can come together to innovate and create something together via a structured program and approach, they'll be better equipped to effectively collaborate in the future.

THE TAKEAWAYS

- Accelerators need to engage in a more substantive way with corporates.

- The 'corporates as partners' relationship is clearly the most desirable.

- Many accelerators have been operating long enough to have both depth of knowledge in how to run an accelerator and engage with startups as well as extensive networks within the startup ecosystem.

  This knowledge is increasingly valuable to corporates.

- Accelerators need to act on this trend and look for 'win-win' partnership models with corporates

> *“The money we can spend, up to 300k euros is substantially more than teams get at say Techstars or the other usual accelerator programs. So we see ourselves as a follow-on partner to accelerator programs helping them to become more successful and hit their KPI of having follow-on funding for the startups. So everyone wins - the startup wins, the accelerator wins, and we are winning. So that positions us as a partner.”*

Axel Menneking
Head of International Program Management Hub:raum


ÉLECT
INNOVATIO
Audace

UP FOR DEBATE #1
IS ACCELERATION ONLY FOR STARTUPS?

When we offered up a definition of acceleration at the beginning of this paper, startups were at the core of that definition. But what if we're thinking about acceleration in too limited of a fashion and we should, rather, think about acceleration in a broader sense? It's undeniable that at its core, acceleration is fundamentally about education, particularly in the pre-acceleration context. Couldn't the approach most accelerators use to transform startups and prepare them for success also be applied to other types of organizations? This is a question we put to Marie Vorgan Le Barzic, the CEO of NUMA, an organization that focuses both on startup acceleration and applying the acceleration approach in other types of organizations (i.e. corporates, non-profits, etc).

IS ACCELERATION ONLY FOR STARTUPS?

No. We see today how digital technology has completely changed the context. How it has impacted populations, how it has, for example, given so many more a voice… This is why we need to think of acceleration in a broader sense. Of course we need to accelerate startups to be ready to compete, but it's really all the principal actors within our economies that need to be accelerated. If not, we reinforce the divisions that often exists between startups and, for example, corporates who are increasingly struggling to find paths to growth and absolutely need the competence and ability that comes from acceleration. In addition, if we ultimately want these two groups to work together, it's important that they share a common culture (e.g. speed, appetite for risk, etc).

WHAT ARE THE THINGS WE SHOULD BE LOOKING TO ACHIEVE WHEN ACCELERATING AN ESTABLISHED ORGANIZATION VS A STARTUP?

The principal point of difference is the consideration of the organization itself. The main thing that needs to be 'cracked' is the corporate hierarchy which needs to be rethought. That's the principal element we take on first, which obviously doesn't exists at all in small, fast growing companies. When we're working with large companies, we think of what we do more as transformation in order to accelerate. This is what we've done for quite some time with SNCF (France's national railway company). What came out of this work was Datashaker, which essentially said that although initiatives like hackathons and startup partnerships are great, why not focus instead on co-creation. So what this evolved into was, in essence, a sort of 6-month hack-a-thon, acceleration-driven program that took SNCF from ideation through to prototyping. This program was an important first step in the transformation of this organization and, in conjunction with initiatives with other groups as well, contributed to, for example, the launch of their Open Data initiative.

IF AN ACCELERATOR WANTS TO BEGIN WORKING WITH ORGANIZATIONS BEYOND STARTUPS, WHAT DO THE NEED TO DO DIFFERENTLY?

As it's not the same type of situation, you will probably need a few different types of profiles in the team. Most importantly, you need people who understand the corporate logic and way of thinking. And more precisely, an understanding of how to analyze and interpret this logic to change it, which is impossible to do if you don't understand it.


SHURE

GOING GLOBAL: INTERNATIONAL EXPANSION AND ACCELERATOR NETWORKS

There are an untold number of accelerators operating around the world today. Estimates from Seed D-B put the number at approximately 225 (10), but f6s, which tracks thousands of programs classifying as accelerators (11) , clearly puts the total number much higher. While the definition of what qualifies as an accelerator program might be too broad in this case, it's evident that the concept of acceleration has taken-off around the world. In Europe alone, Tech.eu was already estimating in 2013 that there were 100 active accelerator programs (12). Finally, in a recent study done by Telefonica, they are even more bullish in their estimates on growth in Europe, projecting that if we combine both accelerators and incubators, that the market CAGR between 07-13 was +29% (13), hitting just above 250 in Europe and 2013. While growth in the accelerator sector continues to be robust, it's clear to most involved in the sector that a market consolidation and contraction is probably on the horizon.

While it's natural, as in any market-oriented business, that the 'strongest' are generally the ones that survive, many accelerators that do add value for startups, but perhaps due to their geographic location or lack of strong brand don't get the recognition they'd like, would be better served in the long-run by joining accelerator networks. These networks are starting to gain steam in many places, with GAN, who count Techstars and Microsoft Ventures amongst its members, currently being the most well-known. Another network which is on the rise is Portugal-based accelerator Beta-i launched and European Commission-backed Atalanta, which counts innovation and tech hubs such as NUMA, startup platform f6s and several others as members. They're currently rolling out accelerator exchanges, which will enable both startups and accelerator staff alike to learn about opportunities in other European markets in a lower-risk way.

Atalanta and Beta-i cofounder Ricardo Maravo, stresses that networks will become increasingly important for accelerators and startups as they both look to expand globally. For European startups in particular, having access to an international market via a well-integrated network of accelerators would be particularly advantageous as they look to scale. While this might not be an immediate benefit for startups currently in accelerator programs who tend to be quite early stage, this could certainly benefit program alumni or even serve as the foundation for development of a later stage acceleration program.

“I would say that networks are really interesting if they’re really thinking of doing cross border. It’s a normal process for a startup to go abroad. People should be interested in helping the startup as much as possible wherever they’re thinking of going. This is a process which is happening now with accelerators and networks.

With Atalanta we offer an exchange between accelerators where startups can not only continue to work in their own countries but can also see if their product works elsewhere in Europe. We want to facilitate that so they have an easy way to see if their product works in another market. If it works great, if not fine but at least they’ll have an easier way of trying it out in a new market.”

Ricardo Marvao
Co-founder and Board Member BETA-I

Google has also been a big catalyst in facilitating a global network effect with their Google For Entrepreneurs (GFE) initiative. While GFE focuses more on encouraging the overall growth of tech ecosystems rather than specifically on advancing acceleration, both pre-accelerator programs and accelerator programs are naturally important players within the GFE network.

The first couple years of GFE have focused more on deciding across ecosystems around the world, which tech communities (pre and ‘traditional’ accelerators, coworking spaces, etc) to bring into the GFE fold. In ecosystems where tech communities are less well established, the GFE team may opt to set up a Google Campus instead. GFE is now moving to stage where it’s increasingly focusing on deepening the network to facilitate international exchange and collaboration between communities within the network.

BUILDING A BEST-IN-CLASS, GLOBAL NETWORK

For these networks to work, the reality is that there are a few key elements that need to be in place. Firstly, there need to be a one or two ‘anchor accelerator programs’ in the network that have strong enough brands and visibility on the international tech scene to be able to deliver value to startups.

These ‘anchor programs’ will also be key in creating a vision, objectives, governance, and operational rhythm for the network.

Second, as with an individual program, the network needs to create a clear, differentiated offer that delivers on the startup’s objectives around scaling and is priced accordingly. Finally, the network ultimately needs to give startups access to significantly higher level of mentors, experts and investors that they would have had otherwise. This will intrinsically make participating in the network more valuable for startups.

All this means that initiatives like exchange programs between accelerators are really just a first step in what ultimately should become a full-service accelerator network, which exists first and foremost to help facilitate the success of startups.

This would mean delivering startups a harmonized experience namely joining-up network members’ (accelerators’)
databases/contacts, platforms, knowledge, experts, etc.

THE TAKEAWAYS

- Many accelerators, particular those in less connected geographic areas or in developing ecosystems, should consider joining an accelerator network
- Networks that will be the most valuable for both accelerators and startups alike will be those that can help facilitate international expansion
- These networks need to structure an offer that’s in-line with that ambition, going beyond accelerator exchange programs to deliver more full-service program that help startups and accelerators expand into new markets, offering access to local experts or mentors, local business contacts, etc


momentum

"This year we're really focusing at Google for Entrepreneurs on building out the network. How can we use this network as a platform for working together and collaboration? For example, how can a tech hub in Austin connect with a hub in Paris or help accelerators and address needs for collaboration on different programs. Or better leveraging our recently launched (The Google for Entrepreneurs Tech Hub) Passport Program. It's really about getting those international, global connections going. That's where Google can really bring value."

Genna McKeel
Business Development Manager,
Google for Entrepreneurs

THE EVOLVING BUSINESS MODEL

"When thinking about the value accelerators have brought us (as VCs), I'd say undoubtedly that the biggest is maturity in the startups they accelerate… maturity in their pitch, maturity in terms of why they're here, etc. They have the basics now. We don't need to educate them on that. They bring that with them."

Gil Doukan
Investment Manager Iris Capital

Most everyone would agree that accelerators have delivered much needed, but perhaps less quantifiable, value to tech ecosystems around the world. Many accelerators, especially the first tier, top brand name ones, are akin to the MBA programs of startups, helping some of the most promising startups the global tech ecosystem has to offer flourish. However, setting aside the top 2 or 3, there is lingering doubt that acceleration has been able to find a workable business model for the long-term. Many accelerators, particularly those in Europe, got going via government funding or via the generosity of a couple key donors. But the general feeling amongst many accelerators is that this type of financing model is short sighted as government funding works well for you in the short-term, but doesn't provide much for you beyond that, depending on one or two donors is risky at best and likely not sustainable for the long-term. Of course, an increasing number of accelerators have been taking equity in startups, usually somewhere between 5-10%. But as accelerators are unlikely to see returns on these investments in the short or medium term, if at all, the equity stake approch doesn't offer a recurring revenue source either.

The fact is that accelerators, just like the startups they accelerate, are businesses that must define a solid business model if they're able to continue for the long-term. The accelerator market is a highly competitive, increasingly global one that will likely soon be reaching its peak, undoubtedly leading to a contraction. Even more the reason for accelerators to find a solid business model to secure their future.

THE BRAND AND OFFER

Before we can talk about finding a workable business model, we need to start with what accelerators tangibly bring startups beyond money. The question is whether a startup is better off after having gone through a program and whether it was worth it for them to give up a reasonable chunk of their company for 'services' they received from the accelerator.

All this comes down to two main things an accelerator absolutely needs above all before they can determine what type of business model works for them. First, a strong brand. As the accelerator space gets increasingly crowded, having a recognizable brand that is associated with creating real value for startups going through the program, will enable an accelerator to stand-out from the pack. The natural next question is, how to create a strong brand? Of course the basics like marketing and communication are an important for that - accelerators too need to 'get out of the building', pitch their offer, and evangelize about what their doing. But branding also comes down to results. Accelerators often give statistics on the number of startups coming out of their program that have raised money, but they also need to track aspects like:

1. number of companies still 'alive' 1, 2, 3 or more years out of their program
2. revenues or, at the very least, revenue growth of alumni startups
3. satisfaction levels of startups coming out of the program
4. 'life changing events' they were able to facilitate for startups, including partnerships with key customers or introductions to top tier investors (see point 6)
5. exits, preferably with actual statistics attached to them (ie value of exit)
6. for funding, amount of money coming from top tier investors, either top tier angels or VC-funds
7. the number of jobs created by startups accelerated through their programs

Other factors that may be harder to measure, but are also highly relevant, include the capacity to attract international talent and the quality and strength of the alumni network.

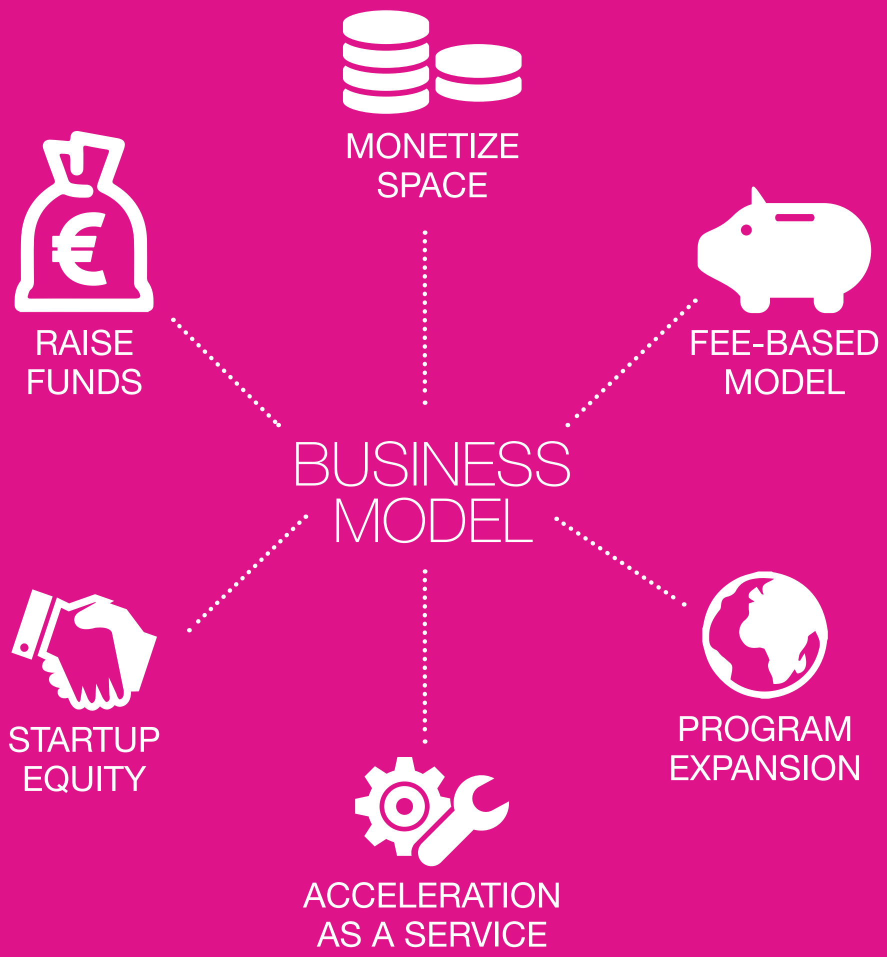
Of course it might be difficult to track all of these, but being able to demonstrate a coherent and transparent success story across various criteria will go a long way in enabling them to build a strong brand.

The next, obvious factor is having a differentiated, value-creating offer. While many accelerators in the beginning focused squarely on getting startups comfortable with the business basics and getting startups presentation-ready for demo day, it is clear that this model is simply not enough anymore. Thanks to the increasing support available via pre-acceleration (as mentioned earlier in the paper), this is a less pertinent need than it has been in the past. As such, accelerators are increasingly focusing on startups who are further along in their development, ie those with, at least, a workable prototype and often users and/or customers. These startups naturally need a different type of offer; namely one that is rooted in a solid, high-quality network that will help the startup begin to scale in terms of acquiring new customers, access production capacity (particularly pertinent for hardware startups) and distribution channels, expand to new markets, as well as secure funds from high quality investors. As mentioned earlier, verticalization is in many ways an attempt for accelerators, particularly those new to the market or without the top brand recognition, to establish a unique position in the market.

Another aspect that underpins this question about the offer is what the goal of the accelerator actually is. Do they want to be a global program, attracting top startup talent from around the world? Do they want to be a leading regional program that serves as a 'feeder program' for the top tier global accelerators? Do they want to expand their global footprint (in terms of physical locations) into new markets? Do they want to be the leading program in their vertical? etc. All accelerators, if they haven't already, should follow the same advice that they often give their startups and establish their vision. Once they've defined their vision, it will be easier for accelerators to structure their offer and put in place a plan to realize their vision.

FINDING WORKABLE BUSINESS MODELS: POSSIBLE SOURCES OF REVENUE OR CAPITAL

Once an accelerator has made a significant attempt to work through the above elements, it becomes a lot easier to weigh the pros and cons of the types of business models that would work best in their case. Going forward many accelerators will need to rely on a hybrid model that properly balances various approaches to generating cashflow and, ideally, profitability. At the European Accelerator Summit, there were various ideas on ways for accelerators to generate recurring revenues or strengthen their capital position. Here's some possible ways forward with some thoughts on each.



> *“We look at things like NPS scores and the satisfaction scores of who’s come out of the program. We look at who’s raised money, 85% of our companies raise 500k and up. But that’s necessarily a great proxy because it doesn’t necessarily mean you’re doing a great job. So you look at 5 or 6 metrics such as customer satisfaction, whether the startup is still alive one or two years after the program, have they raised money, the quality of who they’ve raised money from (ie from well known Angels, top VC funds) - raising money is one thing but have they raised money from good investors?”*

Marvin Liao
Partner 500 Startups

STARTUP EQUITY

As mentioned, accelerators are increasingly taking equity in their startups. Assuming that the value is apparent for startups, it will be perceived by the startup as a fair price to pay. But accelerators shouldn't pin their hopes on this as a viable revenue source mainly because the exit cycle is generally quite long. Even if there's an exit, by the time it occurs the accelerator's small equity stake is so diluted that it doesn't amount to much. But, there is a potential opportunity for accelerators to more proactively exit startups sooner, reselling their shares in the higher value startups in their alumni portfolio to angel investors looking to be more active investors in startups. This could be a feasible way for accelerators to generate additional cash flow to be reinvested back into the accelerator.

Another approach is for accelerators to raise a small fund themselves so as to do later-stage, follow-on investments in the more successful startups coming out of their programs and, ultimately, maintaining a higher equity stake in the startup. Of course this is only feasible if the accelerators themselves have the track record to entice investors. This would require, however, the accelerator to become a more active investor and potentially provide a much different level of support than they're accustomed to. Namely, providing more later stage support - helping to facilitate fundraising, offering internationalization advice and support, and talent recruiting and retention.
One model that could be interesting to explore more closely is the one recently launched by global VC fund Partech Ventures via their new Partech Shaker tech hub in Paris. Although a VC, Partech took the decision last year to launch Partech Shaker which aims to give companies within their investment portfolio better support in terms of (14):

- Hiring and retaining the best talent
- Getting the product released
- Hitting initial traction/signing first customers - facilitated via partnerships with corporates
- Accessing reasonably priced, collaborative workspace

Partech Shaker essentially functions like a Scaling or Series A stage accelerator-incubator hybrid, providing their portfolio companies and others with scaling and international expansion support at a fixed location. While it is unusual for a VC fund to have a structured entity such as this, it's an interesting development to follow to see if it ultimately becomes a helpful model to follow in-terms of later-stage acceleration.

RAISE FUNDS

Some accelerators manage to raise funding from angels and VCs. In essence, these investors are in many ways 'customers' of accelerators, not only occasionally funding the accelerators themselves, but also serving as repeat sources of funding for startups in their programs.

While some accelerators opt to go with the 'all eggs in one basket approach' others, such as Techstars work with numerous investors, particularly angels, for whom they believe they are well suited to deliver value. As with the startups they accelerate, now that the acceleration model has existed for 10 years, accelerators need to put forth a compelling case for investors around the benefits and returns that can be gained by investing in their programs. At a basic level, investors need to agree with the argument that the existence of accelerators makes what they do as investors more efficient, giving them better access to startups and, ultimately, enabling them to achieve better results than they would have otherwise.

Although VCs do have an interest in seeing accelerators thrive, the investor group that is likely to have the most interest in seeing accelerators continue are angels. Unlike funds, angels don't have the access to resources and talent to help them find and access startups. It's simply more efficient for them to work with an entity who can provide on-going, qualified deal flow. Angel investors can often bring a lot more than just money, including expertise and connections that can benefit both the accelerator and startups in their programs. Although it is difficult to manage multiple investors, attracting a pool of investors gives accelerators more financial flexibility and helps them manage away from the risk of having one or two big investors.

Of course, track record is ultimately the key element that will draw investors or not. As many accelerators either haven't been tracking the right KPIs or won't have the top or mid-tier track record need to attract investors, the investor option is likely to be a viable one for only a subset of accelerators.

Another approach which accelerators are starting to warm to is crowdfunding. Initially reserved more for products, particularly in hardware and gaming, crowdfunding is being explored as a potential source of financing acreoss various sectors. However, it does tend to be deployed best when it is connected to a specific project or milestone. An example where it has been effectively used by an accelerator/tech hub at NUMA, where it was used to co-finance the launch of their new tech hub space in 2013. Although the building was largely funded by corporate partners, NUMA sought to make up the remaining funding needed via a crowdfunding campaign, directed towards France's tech ecosystem. Not only was the crowdfunding campaign goal achieved, but it also gave the community a sense of ownership in the new space. In order to illustrate the importance of the community to the opening of the new space, NUMA put the names of each campaign contributor throughout the new building.

ACCELERATION AS A SERVICE

As many accelerators now have graduated several seasons, they've gained something over time that is particularly valuable - experience in skilling-up startups, guiding them to better define their vision and value proposition, and, ultimately, preparing them to raise seed funding. In addition, accelerators that do this best know how to run a high-performance accelerator, successfully doing things like finding and screening startup talent and helping to create a support network for startups in their programs (e.g. mentors, experts, coaches, investors).
This expertise has value and, as such, could be packaged as 'acceleration as a service'.

As discussed earlier in this paper, accelerators are well placed to help organizations such as corporates who are less adept at working with startups and running their own accelerators themselves. The fact that many corporates have repeatedly launched slightly different versions of their own accelerators, illustrates that perhaps if they had worked more closely with an 'expert', the inherent value created by their own accelerator program(s) would have been more apparent. Accelerators can explore various models for this type of service, going all the way from simple advisory services on how to set up and run one's own accelerator to offering an outsourced accelerator management service.
Of course outsourcing their accelerator to someone else is not risk-free as they will lose an element of control over the program.
This is essentially a classic make or buy decision. If you don't have the skill internally to run a high-performing program, which is often the case as it's not the core competency of most companies, perhaps it's better to outsource it to an entity that can.

Another service that accelerators can offer which is an offshoot of a standard 'acceleration as a service' model is offering innovation programs. Many companies have no interest in starting their own accelerators, but are quite interested in working more closely with startups and/or learning how to be more nimble and innovative themselves. While an accelerator or innovation program is unlikely to fundamentally shift a corporation's culture, they can help companies start this transformation by simulating some of the things they do with their startups including, running workshops around the 'entrepreneurship fundamentals', lean startup methodology, fast prototyping, etc. This work could bring significant value to corporations.

EXPAND PROGRAM SIZE OR GEOGRAPHIC REACH

As expansion obviously requires increased financial resources, this is a growth lever which needs to be carefully explored before being implemented. Expanding the size of the program either by number of classes per year or size of class is probably the easier path to implement. The upside of that approach is that it creates a bigger network effect, giving the program a much larger network of alumni who can serve as both evangelists and recruitment agents for the program. A larger program will also likely draw more attention by potential partners, such as other accelerator programs, corporates, etc. There are, however, several drawbacks to larger programs. More specifically that larger numbers could put program quality levels at risk as accelerators seek to deliver the same level of service but for more startups. This would ultimately result in a rapid scale-up in the number of mentors and experts as well as increased investment in supporting teams for the program. Thus, this transition needs to be carefully managed.

Geographic expansion is a path that few accelerators have taken, or have on a very low-level degree, primarily due to lack of sufficient capital required to set up programs elsewhere, the lack of a strong brand, and an inability to differentiate themselves from accelerators already present in the (new) market. There are three notable programs, however, who have managed to successfully expand geographically:

The first is, obviously, Techstars who have locations across the US and Europe. Three elements seem to stand out as enablers of their ability to expand. First and foremost, they've been able to build a strong brand, mainly due to their strong network, high quality program, and results they deliver for startups and, increasingly, investors. Second, the fact that they work with Angels to fund their programs (and consequently the startups who participate each season) better positions them to cover the costs of the programs on an on-going basis. Finally, as discussed earlier, looking to corporates as partners helps them to more easily expand their footprint via both financial and other types of support in new markets they enter.

Another that has quickly expanded first across Europe and now into Asia, with the launch of their new accelerator in Singapore, is Startupbootcamp. They employ a more democratic expansion model as they look to potential local partners to help develop, finance and operate accelerators in new markets.

Of course those looking to launch the new accelerator, ie the eventual local managing directors, are thoroughly vetted by the Startupbootcamp team to make sure they are well-connected, credible potential partners. This model does have the advantage of spreading the risk between Startupbootcamp and local players looking to bring the accelerator to market. In addition, it also, in theory, enables them to more quickly expand around the globe. An obvious risk with this model is quality control. However, the Startupbootcamp team work from the beginning to ensure new programs are 'on strategy' and sustainable, that there's effective communication with the various local accelerators, and have a marketing/branding team to ensure consistency in terms of message. One lesson that can also be taken from the Startupbootcamp experience is being choiceful about which geographies accelerators expand into.

While it may at first seem easier to expand into the developed or established tech ecosystems, there's a lot of potential for acceleration in emerging markets and ecosystems around the world. This could be an interesting expansion option for high quality, but lesser globally known accelerators who have the resources to expand.

Finally, in the corporate accelerator world, a good example would be Microsoft Ventures Accelerators which now has 7 around the world in its network. Their clear and stated objective is 'Build Locally, Expand Globally.' Given Microsoft's extensive global footprint and sheer size as a company, they have the resources and influence with local ecosystems to rapidly scale around the world. That being said, they still only have 7 accelerators to date, which is quite modest in terms of size, and 240 startups in total have been accelerated through their programs (8). They clearly are taking a measured, reasoned approach to expansion.

MONETIZATION OF FIXED SPACE

Accelerators located in sizeable facilities/spaces have made use of monetizing fixed space from the beginning. In fact, many started as coworking and event spaces prior to launching as accelerators and, as a result, have some level of expertise as to how to best monetize the space available to them. In addition, the space can be used not only to launch startup and innovation focused events, which bring more people into their network and benefit the wider ecosystem, but can also be used to innovate on their existing programs - e.g. launching new types of acceleration programs or enhancing the length, size, etc of the existing programs. Renting out space also is a great way to get corporates, public entities and others in the door. This can be a great first step for introducing these types of entities to the 'startup world' and forging working relationships for the future.

There are a few obvious drawbacks here. Firstly, space is naturally limited, so there will always be an upper limit to the amount of revenue the space can generate. A way to address this problem is to expand to new space, similar to what tech hubs such as Beta-haus and NUMA are currently doing, but this can require substantial additional resources, particularly in cities like Paris or London where space comes at a steep cost. In addition, increasing activities and services in the space they have available will also require accelerators to increase their team focusing on event management, facilities management, and even sales to 'sell' the available space. While having more of these types of roles on-board will ultimately improve the overall experience for startups and others, this is additional overhead cost for the accelerator. Finally, it may move some accelerators into areas that are outside their area of expertise. Thus, there is an inherent risk for the accelerator that these activities can be a distraction and, ultimately, adversely affect their overall brand if not managed properly.

In order to prepare for this, accelerators need to ensure they can, first of all, maintain a fairly stable, and preferably, growing source of revenue from directly monetizing their space. They also need to properly evaluate the competition and market prices for coworking and event space rental focusing on the tech ecosystem. Coworking space alone has grown massively over the last few years, growing globally from 723 2011 to 2421 locations, with almost half of of the space (approximately 1160 spaces), being in Europe[15]. This means that freelancers, entrepreneurs and startups have increasing coworking options, which may make it increasingly difficult to consistently monetize this space via coworking alone.

FEE-BASED MODEL

Another topic which was hotly debated at the European Accelerator Summit was the fee-based model. While this could cover many types of fee-based pricing, the main area of debate was whether accelerators should start charging start-ups a fee for the services they offer. A few notable programs charge startups fees, including 500 Startups which technically charges startups entering their program a $25k fee. However, this comes out of a $100k, 7% equity investment that they put into startups accepted to their program. As most accelerators don't put this level of investment into startups, but often taking similar levels of equity for less cash, some at the Summit felt that it would be difficult to justify asking startups to pay a significant sum for an acceleration service.

A couple of alternatives were recommended. A first suggestion was charging startups a minimal cost, akin to what they might pay for coworking space and/or coaching services (say 400-800 euros a month for a 2 founder team). As the thinking was that people have a tendency to place a higher value on things they have to pay out of pocket for, this might be a reasonable way for startups to contribute financially to their acceleration experience and for the accelerator to cover some of the fixed cost of each startups' acceleration. Of course this would only be reasonable in cases where accelerators are taking fairly minimal equity (ie 7% or less).
This idea also brings us back to the principle of the value the accelerator creates and the strength of its brand. Both of these will be critical if accelerators ask startups to help (directly) pay for their acceleration.

Another idea was charging startups something akin to a 'success fee', whereby the startup pays the accelerator a percentage of sales over a limited period of time, say two years. Some accelerators are apparently testing this model. However, it does put a constraint on the startup, particularly in their early years when they need to invest heavily in their development. To be fair to the startup, the percentage of sales would also need to be fairly low. Finally, this model is also risky for the accelerator because there's no guarantee they'll ever see any actual revenues from the startup. The first couple years continue to be a tenuous time for startups where their focus tends to be more on shoring up their product/service and gaining users rather than generating revenues.

A final idea which would apply less to the startups in the program, and more to the ecosystem as a whole is the fee-based membership concept. The idea would be that for multi-activity tech hubs / accelerators, that people could join the community, getting access to particular perks or services, such as discounts on events or contacts/access to high profile people within the ecosystem. One of the advantages about this model is that it is a way to create a community that the accelerator can leverage and learn from over time. It gives them a way of consistently bringing those from the community into their events and programs. It also creates a highly skilled and connected group of people that could be interesting for corporate partners to access, another potential source of revenue.
The membership model has obviously be employed across all types of sectors with varying degrees of success. It's clear though that if an accelerator wanted to go this route, delivering top notch services for a broader community would be non-debatable.

I have a bunch of investors who aren't actually active angels. But they're really like this because suddenly they can invest in multiple things at a time. You suddenly have a portfolio and the chances of getting some of your money back is really high.

Jon Bradford
Managing Director Techstars London

THE TAKEAWAYS

- Most accelerators struggle to find an effective business model for the long-term.

- Accelerators need to focus building their brand via strong, measurable performance and communicating about what they're achieving for startups. They also need to ensure that their offer is differentiated and value-creating for startups. Without these two elements, it will be difficult for accelerators to identify a workable business model for the long-term.

- We've identified 6 workable options for accelerators: raising funds, startup equity, acceleration as a service, program expansion, fee-based model, and monetizing space

- Given that few accelerators have clear, sector-leading results or global brand recognition, a 'full-stack model' which is essentially a mutli-service acceleration approach, combining acceleration as a service, fee-based services, and/or monetizing space is likely to be the most viable model

“I am a big fan of accelerators as they help mature the companies. We have seen a clear uptick in quality and credibility of the projects before and after Accelerators.I have a preference for Accelerators working in batches with limited number of startups as they tend to be more selective and more hands-on with these startups.”

Romain Lavault
General Partner Partech Ventures

UP FOR DEBATE #2

THE LONG-TERM VIABILITY OF ACCELERATION

Can accelerators be built to last? Will accelerators as we know them still be around 10 yrs from now?

These are the fundamental questions for the sector. Throughout this paper we've both discussed the challenges accelerators face and offered some possible paths to for accelerators to define a sustainable business model.

We've put this question to a few leaders from the sector. Here's what they had to say:

YES...ACCELERATION IS A NEW MODEL THAT WILL EVOLVE, BUT IT'S HERE TO STAY

Jon Bradford
Managing Director Techstars London

Oh absolutely. It's 10 years old this year so it's not like it's something that's come and gone. It might be much more in the public domain now, but I personally believe that it's, as I like to describe it, a completely new asset class. Where you have angels, seed funds, series A, I think accelerators are here and represent a new form of asset class. And also as a result it will change in that you have a lot of people initially, a lot will fall out, some will evolve the model and some will continue with what they're doing. So I think it's more likely to evolve, but I don't think it's going to go away. I think the other thing to consider is the cost of doing a startup continues to reduce. So, the amount of money that you're required to have to develop a product at an early stage is much less and not likely to increase anytime soon. So, therefore the inherent unfair advantage that you get now is no longer that you have capital and others don't. The unfair advantage (which you can get via accelerator programs) is that you have knowledge and access to expertise that others don't.

Sean Kane
Cofounder f6s

I think it will morph. Again the market in Europe is only 5 years old. An accelerator in 10 years is going to be a little different than an accelerator today for sure. I guarantee there be people helping founders, and founders will need help. There will be people investing in founders. It's just so early and people look at the marketplace today instead of looking at the market and saying 'Hey, we've come an enormously long way in the last five years and have learned a lot about how to help founders grow.' You can't look at today's marketplace like it's some mature thing. It's early days.

YES, BUT STRONG INVESTOR NETWORKS ARE KEY TO THEIR FUTURE

Kat Manalac
Partner Y Combinator

I think the biggest hurdle for a lot of accelerators is that there's not that ecosystem of investors, whether it's VCs or angels in their region. Outside of the Silicon Valley or few other places in the world, it's really hard. So I think building that network of angels who know how to be value-add investors would be a huge benefit for startups and accelerators as well.

L'ATELIER
BNP PARIBAS GROUP

For more than 35 years, L'Atelier BNP Paribas has identified disruptive innovations that herald major changes for companies in every sector. It helps them adapt these transformations to suit the needs of their own business projects.

Backed by the BNP Paribas Group, L'Atelier is distinguished by an open architecture approach that extends beyond the banking sector, and by its presence in three major regional centres of innovation: Europe, North America and Asia. Drawing on its expertise in technology and innovation tracking and analysis, L'Atelier BNP Paribas produces content (website, newsletters, radio, and TV) and provides digital strategy consulting services to companies.

Conferences and immersive study tours with local players round out its role as a clearinghouse for discussions and the exchange of knowledge. As part of its open innovation approach, it recently created the Lab to bring innovative entrepreneurs and major corporations together, with the aim of accelerating the development of their shared projects.

SOURCES

EUROPEAN ACCELERATOR SUMMIT PARTICIPANTS
WHO ALSO CONTRIBUTED TO THE THE DEVELOPMENT OF THIS WHITEPAPER :

Alsace Digitale
Antoine De Possesse
Aurélie Vérité
Christoforos Pavlakis
Claude Lemardeley
Clotilde Farinet
David Hardman
Domenico Di Cicco
ELODIE ITURRIA
Fernando Becerra Farelo
Guillaume Chevalier
Hugo Claessens
Karel Escobar
Manuel Tanger
Martin GUERIN
Najate Berrada
Olivier LE BLAINVAUX
Philippe WEHMEYER
Stéphanie FEN CHONG
Till Ohrmann
Yannick Tranchier
Itziar Blasco
Tom Bronfeld
Lloyd Waldo
Marc Jackson
Mathilde Dongala
Benjamin Long
Reilly Flynn
Anne GALAUD
Pierre-Yves AUBERT
Vincent PRETET
Clémence STAQUET / Gauthier
Bauries
Florian MESNY
Rita Sinaceur

Claudio GIRALDI.
Raz Bachar
Sophie Pellat
BESSIS Daniel
Avessta, Susanna
Mike Butcher
Savin Nikolay
Kuehrer Susanne
Vriesacker Koen
Benoit Georis
Benoit Baroan
Matt Philippe
ines Dartiguenave
Soizic Huet
Jonathan Lascar
Kayvan Nikjou
cyril puppa
Pierre Marro
Vandad Espahbodi
Nathalie Boulanger
Clara Delétraz
Paul-François Fournier
Cécile Brosset
Yoann Jaffré
Hugo Delabie
Jerome Masurel
Hanan Lavy
Pascal Latouche
Laura Souchko
Taro Ugen
Pierre Sliosberg
Sean Kane
@alexiskold
Roxanne Varza
Mike Doherty

Alberto Onetti
Benjamin Joffre
Anne-Marie Roussel
Samer Karam
Silvia Carter
Sarah Drinkwater
Vanessa Vierling
tHEVENIAUD Sylvain
Alexis Vilarino
Marie Raichvarg
Jacopo Muzina
Nicolas Géray
Chrisotphe Montague
Audrey Stewart
Pietro Martani
Benoit Marrel
Matthieu de Genevraye
Miguel Muñoz Duarte
Roch Giraud
Antoine Guyon
Nadine Bruder
Hugo Claessens
Alexandre Martinelli
Fabienne Arata
Florian Hervéou
Axelle Tessandier
Itziar Blasco
Sophie Greiner
THEVENIAUD Sylvain
berrada
John Lewis
Alexey Krenke
Luigi Lenguito
Bruno Gutierres
Durand Camille

Eric Burdier
Joseph Pérez-Pla
Maeva Tordo
Carole Granade
Igor Turevsky
Gilles Bouchard
Benjamin Böhle-Roitelet
Guillaume Cerquant
Guillaume Chevalier
BIGAY Bertrand
Christine Roqueplo
Jean-François Galloüin
Mathias MONRIBOT
Bertrand Fourquet
TALINI Luc
David POIZAT
Eric VAYSSET
Alizée Lozac'hmeur
Daniel Gergès
Francois CHOPARD
Théo Schwartz
Daniel Jarjoura
Tobias Boecker
HUMBLOT Farid
SOMEKH Matthieu
Philippe WEHMEYER
John Lewis
Emile LEDURE
Axel Menneking
Anna Osinska
Mateusz Cybula
Sofia Curado
Pedro Rocha Vieira
Ricardo Marvão
Isabel Salgueiro

Ricardo Marvão
Inês Silva
Carmen Bermejo
Andy Shannon
Ilian Iliev
Camille Venot
Stephen Mooney
Patrick Riley
Semyon Dukach

Whitepaper development
led by Trista Bridges Bivens

INTERVIEWS COMPLETED WITH:

Alex Iskold Techstars NYC
Jon Bradford Techstars Int'l
Axel Menneking Hub:raum
Alex Guy Startupbootcamp
Julien-David Nitlech & Gil Doukan Iris Capital
Ricardo Marvao Beta-i
Benjamin Joffre, HAXLR8R
Carmen Bemejo, Tetuan Valley
Max von der Ahé, Beta-haus
Sean Kane, f6s
Anne-Marie Roussel
Genna Mckeel, Google For Entrepreneurs
Marvin Liao, 500 Startups
Marie Raichvarg Partech Shaker
Dave Smith, Digital Garage
Romain Lavault, Partech
Kat Manalac, Y Combinator
Marie Vorgan Le Barzic, NUMA

FOOTNOTES

(1) Accelerate: Founder Insights into Accelerator Programs
(2) GAN Infographic - Digging Deep into Innovation, a Tale About Accelerators, July 2013

(3) Startup Genome Project, 6 Stages of the Startup Lifecycle
(4) The Accelerator and Incubator Ecosystem in Europe, Telefonica Europe 2013
(5) Y Combinator Infographic, published March 2015
(6) Wall Street Journal article, http://blogs.wsj.com/digits/2014/12/02/stripes-valuation-rises-to-3-6-billion-with-70-million-round/ and FT article, http://www.ft.com/intl/cms/s/0/99312b96-5b05-11e4-8625-00144feab7de.html#axzz3Ue4neVj6 , October 24

(7) GAN, Accelerator Ecosystems and Trends, Presentation for European Accelerator Summit, December 2014, Patrick Riley, CEO of GAN
infographic link: http://visual.ly/global-accelerator-meeting

(8) Hanan Lavy, Microsoft Ventures presentation at European Accelerator Summit, 11-12 December 2014

(9) Techstars vertical accelerators and corporate partners
- (a) Techstars Mobility with Ford, Manga & Verizon
- (b) Qualcomm Robotics Accelerator
- (c) D Accelerator (Disney)
- (d) Barclays Accelerator - Fintech
- (e) Nike + Accelerator
- (f) Sprint Mobile Accelerator
- (g) R/GA Connected Devices
- (h) Kaplan EdTech

(10) Seed D-B (225)
(11) f6s, February 2015
(12) Tech.eu, November 29, 2013
http://tech.eu/research/29/there-are-roughly-100-active-startup-accelerators-europe/

(13) The Accelerator and Incubator Ecosystem in Europe, Telefonica 2013
(14) Interviews with Marie Raichvarg, Director of Partech Shaker and Romain Lavault, Partner Partech

(15) Global Coworking Census 2013 by Deskwanted

H-FARM

Beta-i
ENTREPRENEURSHIP AND INNOVATION

techstars

PIRATE SUMMIT

STARTUP PIRATES

Petit Poucet
l'ouvre-boîte étudiant

F6S

TechCrunch

Europe Unlimited

hub:raum

BOOST'N LYON

PARIS PIONNIÈRES

wamda

LaunchPad Labs

Google Developers
Startup Launch

scientipôle
initiative

blackbox

startupbootcamp

OBVIOUS

STARTUP42
by EPITA

LYRIQUE
RÉVOLUTIONS NUMÉRIQUES

STARTUP HIGHWAY

SURREY INCUBATION
UNIVERSITY OF SURREY

HAXLR8R

SenseCube
Launchpad for social Startup

QUATTRO CENTO

TETUAN VALLEY
STARTUP SCHOOL

the lisbon challenge

TECHREEF

Startup
Europe
Partnership

BIZ'HUB
accélérateur par monBIZDEV

STARBURST
ACCELERATOR
by Impulse Partners

L'ATELIER
BNP PARIBAS GROUP

EXECUTIVE BUSINESS ACCELERATOR

PROVENCE P.FACTORY J'ACCÉLÈRE!

GRAND BUILDER by ekito

50 PARTNERS

l'X

BOOSTER

Captain Contrat

ecoMachines Incubator

Microsoft Ventures

THE DIGITAL COMPANY

ekito disruptive thinking

Global Accelerator Network

DELL for Entrepreneurs
Ideation. Innovation. Collaboration.

ST@RTUP MAKER
Accélérateur et amorçeur

balkan unlimited

leBooster by lacnr

PARIS REGION LAB

STARTER ROCKET

BLUE FACTORY
COLLABORATION • COMMUNITY • EUROPE • INNOVATING FOR SOCIETY

La FRENCH

axeleo

BizLab

PARTECH SHAKER

MAIRIE DE PARIS

bpifrance

orange™

Partners:

With the support of:

39 rue du Caire, 75002 PARIS
www.numa.paris

in partnership with L'ATELIER BNP PARIBAS GROUP

www.atelier.net