



# THE RISE OF ACCELERATOR FUNDS

@luisriverag

*Madrid, December 14<sup>th</sup>, 2011*



- The Problem
- The Solution
- Our Story
- How it works
- #SBCMAD2011 teams
- Q&A



*A new order is emerging in European tech scene*

## THE PROBLEM

# We are living tough but exciting times



In the past months, investments in entrepreneurial efforts have emerged in many forums as one of the principal roads to economic recuperation



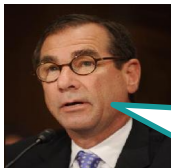
*"Our future prosperity in part depends on whether or not we are creating an environment in which folks can test new ideas, bring new products to market, and generate new businesses. And that's not just a challenge for government. It's a challenge that requires businesses, and leaders, and universities, [and] others to seek out new ways to promote entrepreneurship across this country." (January 2011)*

**Barack Obama**  
President of the United States

*"It is in times of recession when people come together and are more open to working together [...] let's not forget that the U.S. economic strength in the world is due to it's entrepreneurial capacity" (January 2011)*



**Gene B. Sperling**  
Director of the National Economic Council of the United States



*"Innovation is a key factor for growth, economic recovery and to create jobs. [...] Spain has a very interesting future in the world, but you have to help entrepreneurs " (December 2010)*

**Alan Solomont**  
Ambassador of the United States to Spain

*"We will overcome the crisis with entrepreneurs, they generate wealth and employment, as well as social work not sufficiently recognized, but to grow you need a framework that allows entrepreneurs to start a business, hire people and prosper " (January 2011 )*



**Claudio Boada**  
President of the Circulo de Empresarios, President of Abantia-TICSA and Atlas Capital

# Traditional development models no longer apply



The traditional product development model is no longer valid for launching a high tech venture due to its lack of iteration and low capacity for pivoting

## Product Development Model



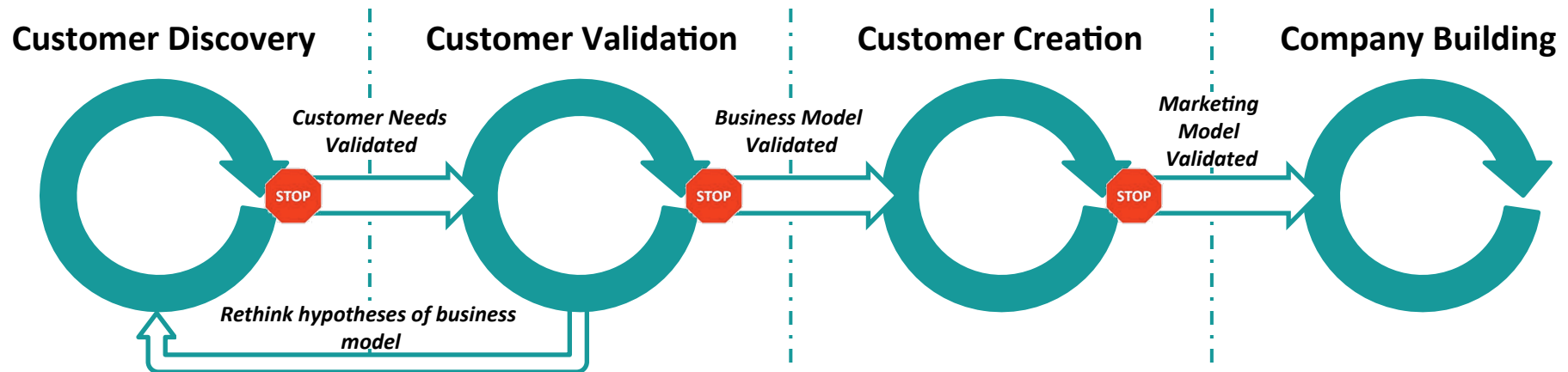
## Misconceptions of the Product Development Model

- **Lack of customer development = lack of market development**
  - *Beta-testers* are not representative of the market
- **Focus is on *execution* instead of *learning & discovery***
  - Limiting iterations limits flexibility
  - Sales & Marketing strategies are launched without proper knowledge of the real market potential of the product
- **Lack of proper metrics or tools to reevaluate the business model**
  - Decisions are based on market forecasts instead of tangible goals accomplished
  - Expectations are based on untested hypotheses instead of tangible results
- **One-size-does-not-fit-all. Not all startups are alike**
  - A static model does not allow fast adaption to market shifts

# 4 Steps to Epiphany and The Lean Startup



In order to succeed, high-tech startups need to shift to a customer-centric model<sup>1</sup> that can allow them to shift fast and effectively coping their market's demands



- **Iterative 4 step process to monitor the evolution of your customers needs & problems or “pains”**
  - State pains’ hypotheses
  - Test hypotheses
  - Test product concept
  - Verify hypotheses until validated
- **Iterative process to understand customers’ buying & consumption patterns**
  - Build a field-tested sales roadmap
  - Test sales roadmap
  - Verify business model
- **Iterative process to obtain end-user affiliation to our product / brand**
  - The process varies with the type of startup & their market
  - The objective is to build a field-tested marketing model
- **Natural transition from a learning and discovery-oriented Customer Development Team into formal departments focused on execution**

Notes: (1)Based on Steven G. Blank’s *4 steps to Epiphany*. S.G. Blank is an Entrepreneurship professor at both U. C. Berkeley & Stanford University and was listed a one of the [Top 10 Influencers in Silicon Valley](#) by the San Jose Mercury News in 2009

# Starting in Europe is still hard

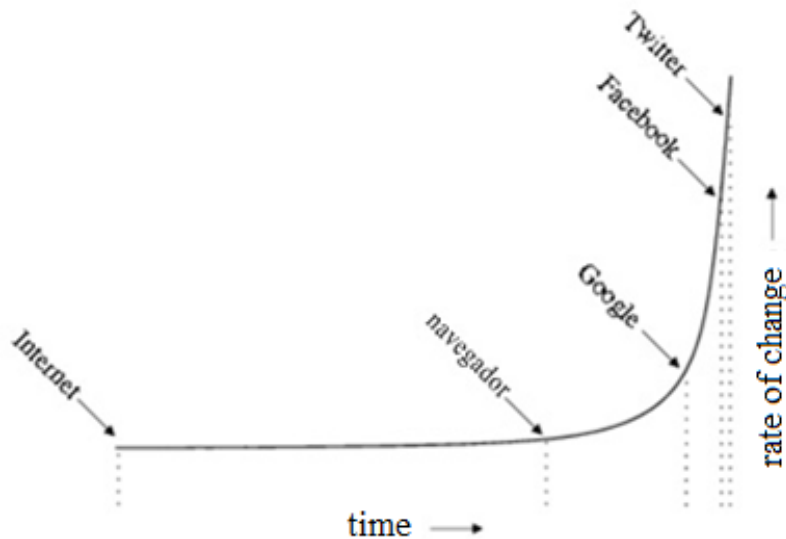


- Large language barriers that diminish cross border growth
- No common constitution laws across Europe generate uncertainties for cross border investments
- Minority laws in many countries generate uncertainty to invest as a BA
- Investment culture in many European Latin countries is focused in more traditional industries
- Tax issues across some European countries make founding a startup a dangerous hiking adventure
- Low culture of Venture Capital strange startups in early stage due to lack of financial muscle
- Startups lack the 24/7 preoccupation culture to launch a business
- The concept of launch and iterate is still in its infancy in Europe generating slow moving startups
- Public money is invested too dispersed not generating clear knowledge hubs

# Traditional VC models can't keep up with innovation



The rate of change of technological innovation has been greatly accelerated



The rate of change of technological innovation is the time requirement for the emergence of a new disruptive element in the market that can somehow change the rules established so far.

The implications of this acceleration are transforming current investment model

- Drastic reduction in the window of investment opportunity
  - Need to detect talent in earlier phases in order to invest
  - Need to search for flexible mechanisms of development and investment for startups and investors.
- **New Development Model:**  
Launch fast, fail fast, iterate fast and adapt to the market (demand) constantly
  - **New Investment Model:**  
Invest earlier (earlier phases), invest more broadly (portfolio diversification), share risks (more co-investment), and support startups through “something more” than just money (mentoring, contacts, ect.)



*Accelerators are here to stay*

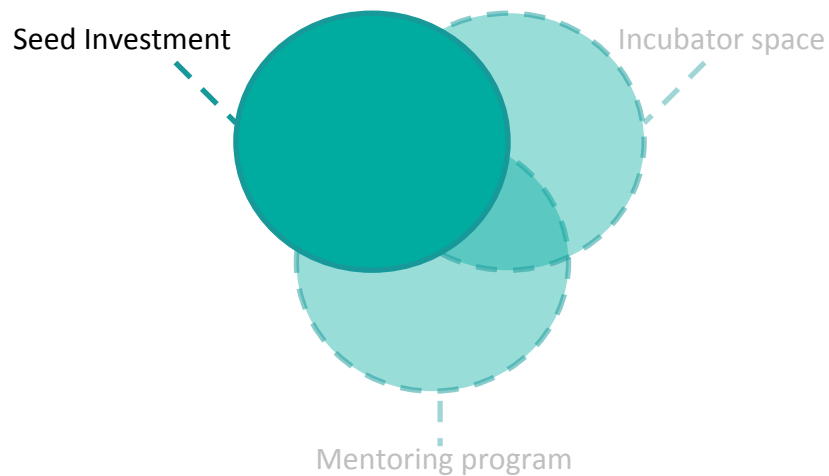
## THE SOLUTION

# A new investment model is in town

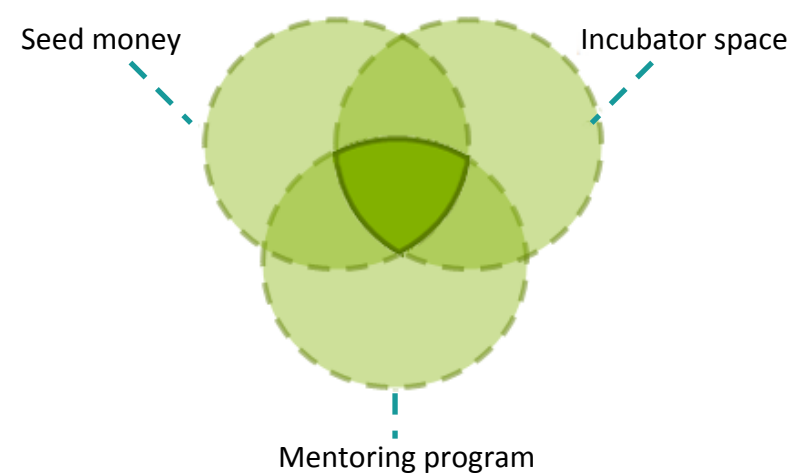


Business accelerator programs have become the most efficient formula to increase the success probabilities of startups

## Traditional Investment Model



## The Accelerator Model



- ✓ The accelerator model has revolutionized the approach to startup development offering startups a platform for sustainable growth via ongoing mentoring & seed funding
- ✓ Allows investors first-hand knowledge of new & upcoming trends in innovation
- ✓ Benefits the ecosystem by generating high value deal flow

Goals:

*Help startups get traction*

&

*Lower risks and time to market for investors*

# The birth of the Accelerator Model



In 2005, Y Combinator revolutionized the approach to startup development offering startups a platform for sustainable growth via ongoing mentoring & seed funding

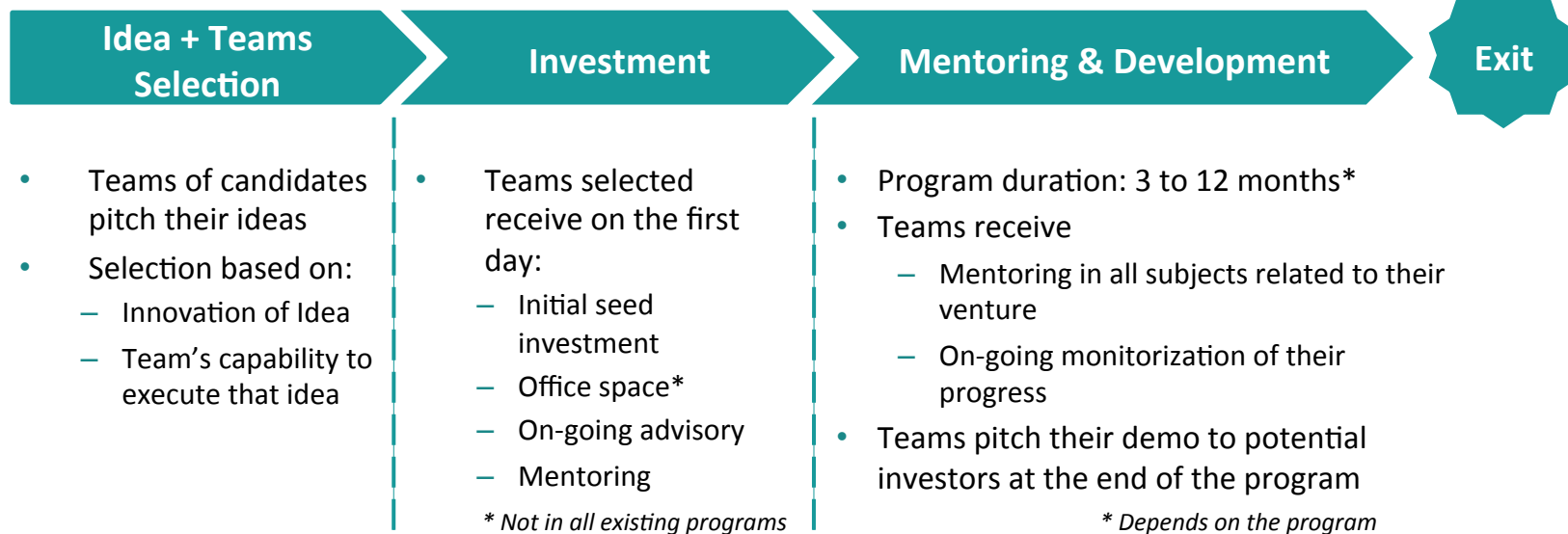
## Origins

- **Paul Graham**, renowned Silicon Valley entrepreneur and investor, founded **Ycombinator** (YC) in 2005 setting the path for a new type of investment fund
  - P. Graham founded ViaWeb in '95, creators of the 1st web application, and sold it to Yahoo in '98
  - YCombinator tries to cover the middle ground between an university incubator & an early-stage Venture Capital (VC)
  - In 2006, first YC copycat appears, Techstars, quickly becoming quite successful overpassing YC in many aspects



Paul Graham

## Model



# The value proposition of the Accelerator Model





The success of the accelerator model value proposition lies in its alignment with the core necessities of a startup at an early stage of development and its potential investors

	Accelerator Programs	Incubator	Business Angel Network	Early-stage VC	
Seed Funding					
Office Space					
On-going Mentoring					
Participation < 10 %					
Collaboration amongst portfolio companies					
Investment Methodology	<i>By batches of x startups per year</i>	<i>Spontaneous</i>	<i>Spontaneous</i>	<i>By total amount of money per x years</i>	
Exit Horizon	<i>9 to 24 months</i>	<i>2 to 5 years</i>	<i>4 to 7 years</i>	<i>3 to 6 years</i>	
	Always	Frequently	Sometimes	Not Frequent	Never

# The KPIs of the Accelerator Model



Despite their short lifespan, both Y Combinator and Techstars have grown very fast in size unfolding impressive returns with moderate ratios of failed startups

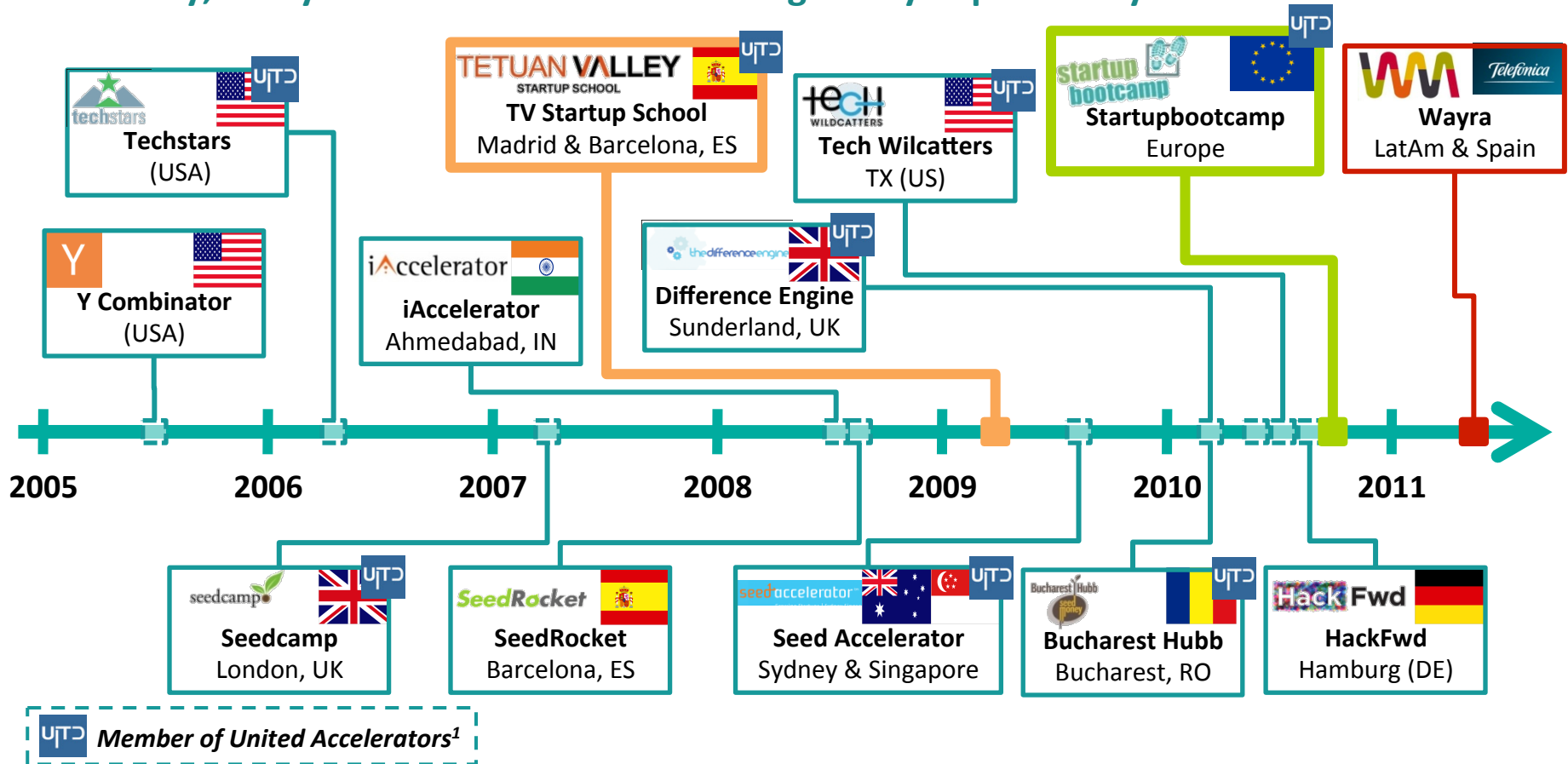
Programs	Founded/ Locations	Investment / Ratios	Program Size	Latest Milestones	Key Success Factors	Largest Exits
	<p><b>Since 2005</b></p> <p><b>Office:</b> Mountain View, CA</p>	<p><b>Investment:</b> \$ 17-20k for 5-8% equity</p> <p><b>Failed Ratio:</b> 22% *Rest still operating or acquired</p>	<p><b>Currently:</b> 2 editions per year, 50+ teams per edition</p> <p><b>Started with:</b> 1 edition with 8 teams</p>	<p>Received \$8,25M funding from Sequoia VC and offer of \$150K in funding to all selected startups by DST</p>	<p>First-mover advantage</p> <p>Access via mentorship and networking to top-tier entrepreneurs and Silicon Valley's VCs &amp; SuperAngels (i.e. Ron Conway)</p>	<p><b>Omnisio</b> (\$15 M)</p> <p><b>Loopt</b> (\$5 M)</p> <p><b>Reddit</b></p> <p><b>Dropbox</b></p> <p><b>Scribd</b></p> <p><b>Zenter</b></p>
	<p><b>Since 2006</b></p> <p><b>Offices:</b> Boulder, CO Seattle, WA Boston, MA NYC, NY</p>	<p><b>Investment:</b> \$ 18k for 6% of equity</p> <p><b>Failed Ratio:</b> 13% *Rest still operating or acquired</p>	<p><b>Currently:</b> 1 edition &amp; 10+ teams per city per year</p> <p><b>Started with:</b> 1 edition w/ 10 teams in 1 city</p>	<p>Total Exits since 2007 = \$10 M; Total investments since 2007 = \$3M</p>	<p>Offers office space, hosting, PR, legal advisory, introductions to potential clients &amp; mentoring from experts, VCs, angels, entrepreneurs, Techstars Alumni and the Techstars Network</p>	<p><b>SendGrid</b> (\$5.75M)</p> <p><b>Oneforty</b> (\$2.35M)</p> <p><b>Filtrbox</b> (\$1.4M)</p> <p><b>Graphic.ly</b> (\$1.2M)</p>

Sources: Ycombinator.com; Techstars.com; Crunchbase; TechCrunch, "Copying Y Combinator" by J. Christiansen (MBA, U. of Cambridge),



# The expansion of the Accelerator Model

Y Combinator & Techstars' success has not passed unnoticed by the international community, many similar models have arised globally in past few years<sup>2</sup>



Note: (1) United accelerators is an international association founded by Startupbootcamp & Okuri Ventures that gathers some of the most successful accelerator programs; (2) Other accelerator programs not included on this chart can be found on United Accelerators' Twitter List "[Programs](#)" or in Jed Christiansen's [thesis](#) about the industry .Sources: United Accelerators, "Copying Y Combinator" by J. Christiansen (MBA, U. of Cambridge), Programs' websites



*Startupbootcamp & Tetuan Valley*

# OUR STORY

# Tetuan Valley v 0.1





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### Formación y empleo

#### Demo Day, un punto de encuentro para jóvenes con iniciativas

Con más de 400 jóvenes emprendedores y mentores, el Demo Day fue un punto de encuentro para jóvenes con iniciativas. Los emprendedores presentaron sus proyectos y los mentores les ofrecieron su experiencia y consejos. El evento fue organizado por el Ayuntamiento de Madrid y el Ministerio de Economía y Competitividad.

### ECO Actividad social

Actividad social para jóvenes emprendedores. El objetivo es fomentar el espíritu empresarial y la innovación social. Se trata de un programa de formación y mentoría para jóvenes emprendedores que quieren hacer un impacto social con su negocio.

### Confianza en los atractivos de la web

La segunda edición del Start-up Boot Camp organizado en Madrid congregó a más de 200 emprendedores de todo España en busca de un espacio adecuado para iniciar su negocio. El evento contó con la participación de más de 40 mentores y expertos en el mundo de la tecnología y el emprendimiento.

### Diez 'startups' impulsadas por mentores buscan su hueco de negocio en Madrid

Diez startups impulsadas por mentores buscan su hueco de negocio en Madrid. Estas startups han sido seleccionadas por un jurado de mentores expertos en su sector. El objetivo es que estas startups encuentren su mercado y se establezcan en Madrid.

### CincoDías.com

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### La iniciativa 'Startupbootcamp' muestra ante inversores a diez empresas novedosas

Este programa de formación concluyó con la presentación de los proyectos finalistas en Madrid. Las diez startups presentaron sus proyectos a un panel de inversores y mentores. El objetivo es que estas startups encuentren su mercado y se establezcan en Madrid.

### Un centenar de inversores europeos se citan en el Startupbootcamp de Madrid

Emprendedores de todo el mundo mostraron sus startups en el Demo Day, que se celebró en una vertiginosa sesión. Diez empresas han convertido sus proyectos en negocios de rápido crecimiento durante el evento.

### Gestión Empresarial

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El grupo de emprendedores que presentaron sus proyectos en Startupbootcamp.

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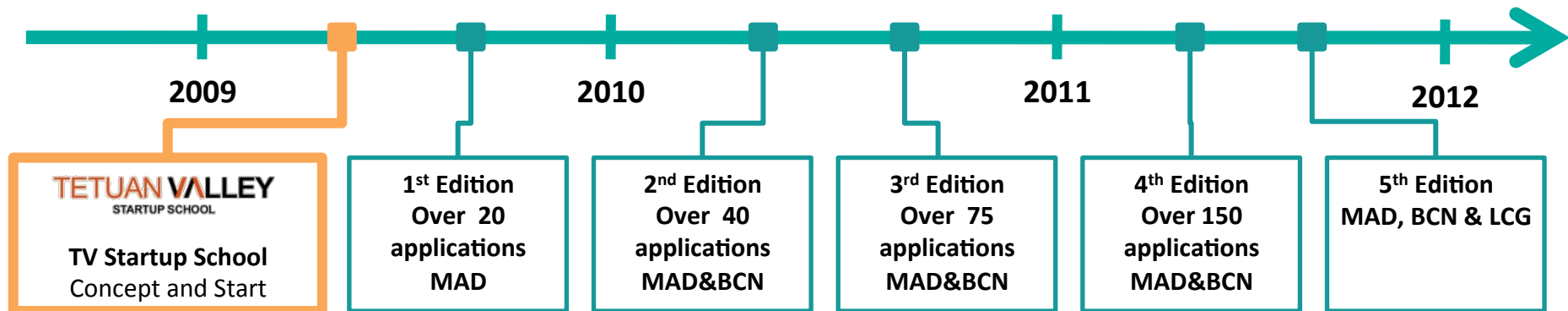
Madrid. La iniciativa fue llevada a cabo por el Ayuntamiento de Madrid y el Ministerio de Economía y Competitividad. El objetivo es que estas startups encuentren su mercado y se establezcan en Madrid. Las diez startups presentaron sus proyectos a un panel de inversores y mentores. El evento fue organizado por el Ayuntamiento de Madrid y el Ministerio de Economía y Competitividad.

# The birth of Tetuan Valley



**Tetuan Valley was born to promote local Entrepreneurship and regional development towards technology in an structured manner to develop clear results**

- Tetuan Valley is the first non-for-profit pre-accelerator program in Europe, which consists of a 6-week period of training and working on the implementation of a business idea
- Tetuan Valley is build on a model in which we seek excellence in teams with a continuous pivoting of the idea to build the working prototype and validated business model
- We seek to deliver and implement the necessary values to our teams to make successful entrepreneurs
- Every year two editions of Tetuan Valley are organized, the Spring session (April-May) and the Fall session (October-November)
- The events are coordinated by Tetuan Valley organization and supported by the experienced team of Okuri Ventures our sponsors and by our extraordinary mentors



# Tetuan Valley today



Tetuan Valley is positioned today as the 2<sup>nd</sup> most prestigious startup program in Europe together with Startupbootcamp Madrid

- Tetuan Valley is held in Madrid and Barcelona, yet our community is growing fast and next openings include a few cities we will announce soon
- We are beginning to attract **foreign talent** (i.e. UK, Portugal and Singapore)
- As of today, we have offers to take Tetuan Valley to other 3 countries for 2012
- With the current European alliance we are beginning to adapt the model for the cross-cultural barrier
- We have over 70 confirmed mentors to pool
- Some of our teams are beginning to be financed once graduated
- We've formed agreements with mayor universities in Madrid and Barcelona and expanding to other cities



# The birth of Startupbootcamp Europe



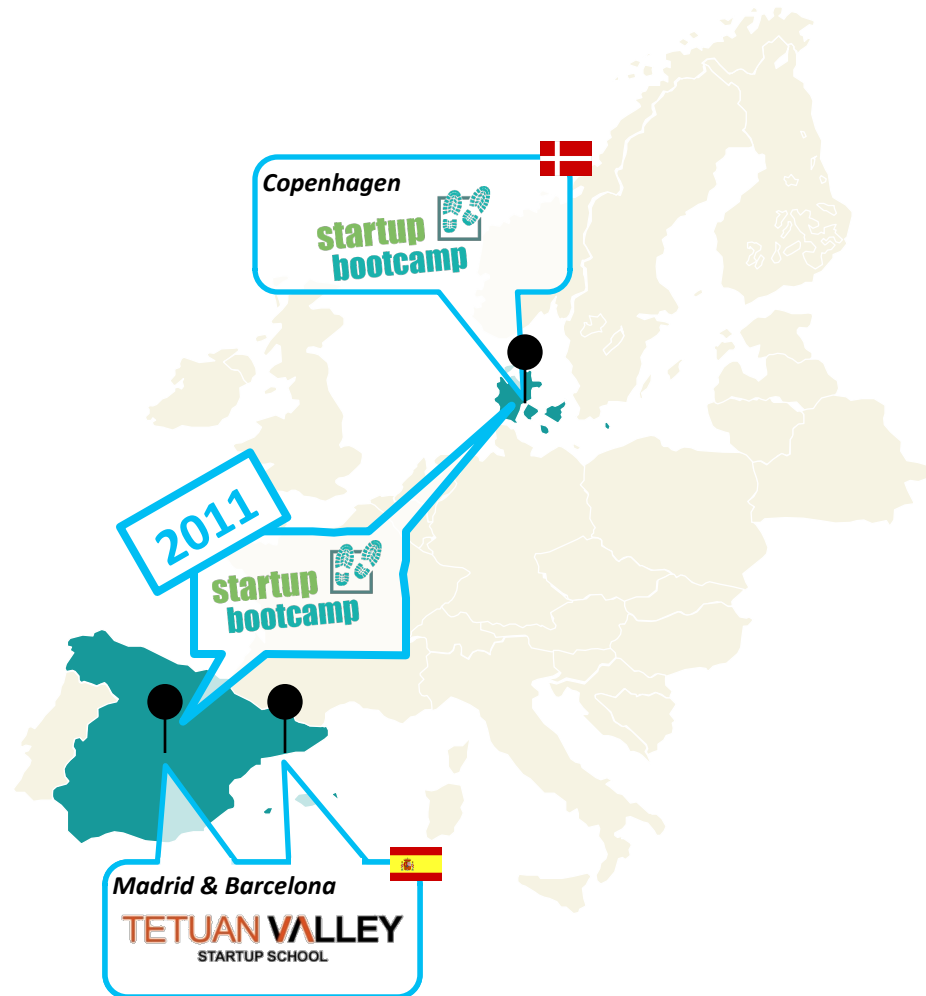
Startupbootcamp (Denmark) & Tetuan Valley (Spain) were two of the most renowned startup programs in Europe



- Founded in 2010
  - 1 edition with 10 startups
- Denmark's first accelerator program
  - 1<sup>st</sup> Techstars Global Affiliate
  - Backed by Rainmaking and Okuri amongst other investors
- Finalist of Techcrunch's The Europas Awards 2010



- Founded in 2009
  - 3 editions; over 40 startups
- Not-for-profit pre-accelerator program
  - Backed & managed by Okuri
  - Chapters in Madrid & Barcelona
- Finalist of Techcrunch's The Europas Awards 2010

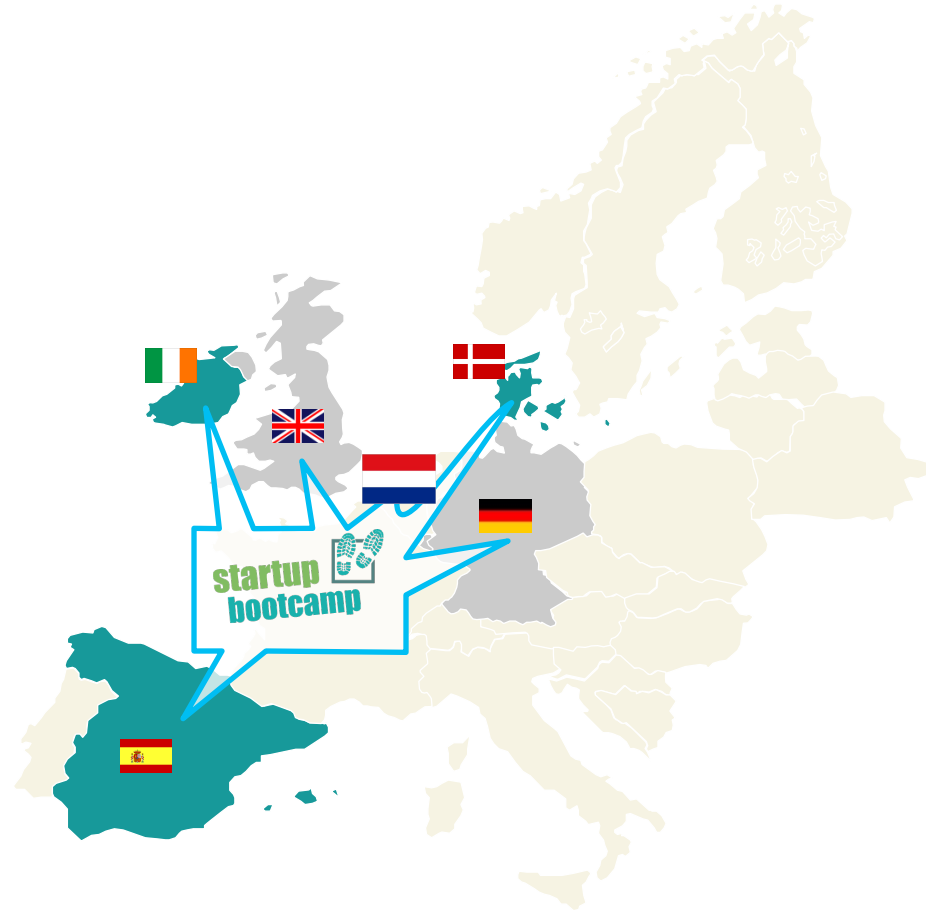


# Startupbootcamp today



## The objective of this partnership is to launch Europe's top accelerator program with 4+ chapters under one integrated entity

- One brand, one company: **Startupbootcamp Ltd.**
- Each chapter has raised 3 funds of EUR 300k to finance the 10 startups of each local program in 2011/2012 batches
  - **Spain:** June to September run by **Okuri Ventures**
  - **Denmark:** August to November run by **Rainmaking**
  - **Ireland:** January to March run by **Bandwith Ventures** (founded by the founders and former C-level executives from XING)
  - **Amsterdam:** March to June run by **A-ccelerator** (founded by the cofounders of Endemol)
- We are currently expecting to finance the **120+ startups from all over the world** that will go through each of the chapters of Startupbootcamp over the next 4 years
- **Synergies:**
  - Shared fundraising efforts
  - Shared communication, marketing & PR efforts
  - Shared pool of mentors and international network of contacts (ambassadors)
  - Same methodologies, materials and resources
  - Same selection and investment criteria





*We take up an important role in the  
funding cycle*

## HOW IT WORKS

# Startupbootcamp's program overview

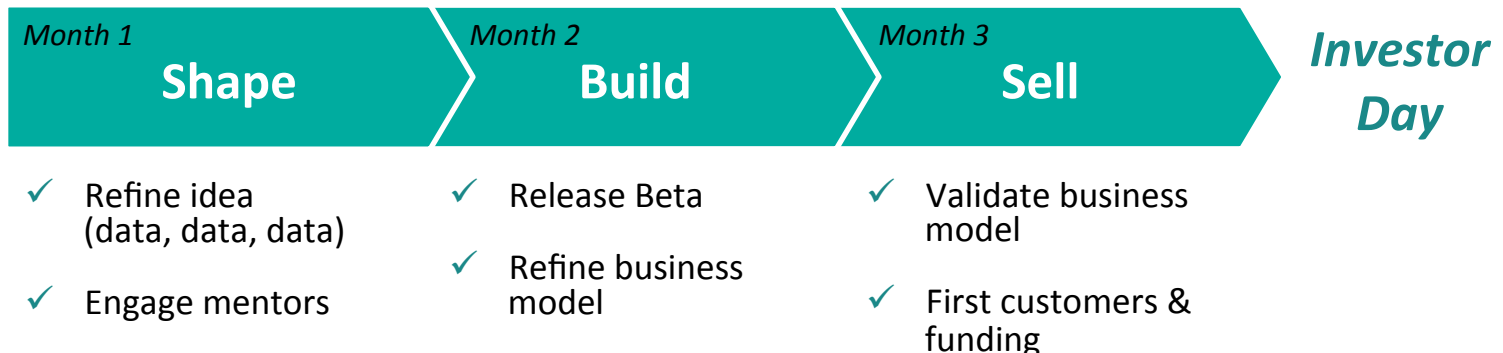


## Startupbootcamp is the first truly pan-european accelerator program

### Highlights

- ✓ Each year **10 great internet & mobile startup teams** are selected from 200+ applications from all over the world per chapter
- ✓ Each Startup Bootcamp chapter gets **8% equity** in each of their 10 startups
- ✓ Each team is offered **EUR 4,000 in seed funding per team member** up to a maximum of 3 founders per team
- ✓ **Free incubator space** is offered in each edition along with other essential amenities promoting collaboration and synergies between the teams
- ✓ **50+ mentor pool** per chapter formed by successful entrepreneurs, investors and domain experts that will work intensively with the teams during the 3-month program
- ✓ The program ends with both a national and an international **Investor Demo Day** where teams will pitch to 75+ international Business Angels, Venture Capitalists and Corporate Investors

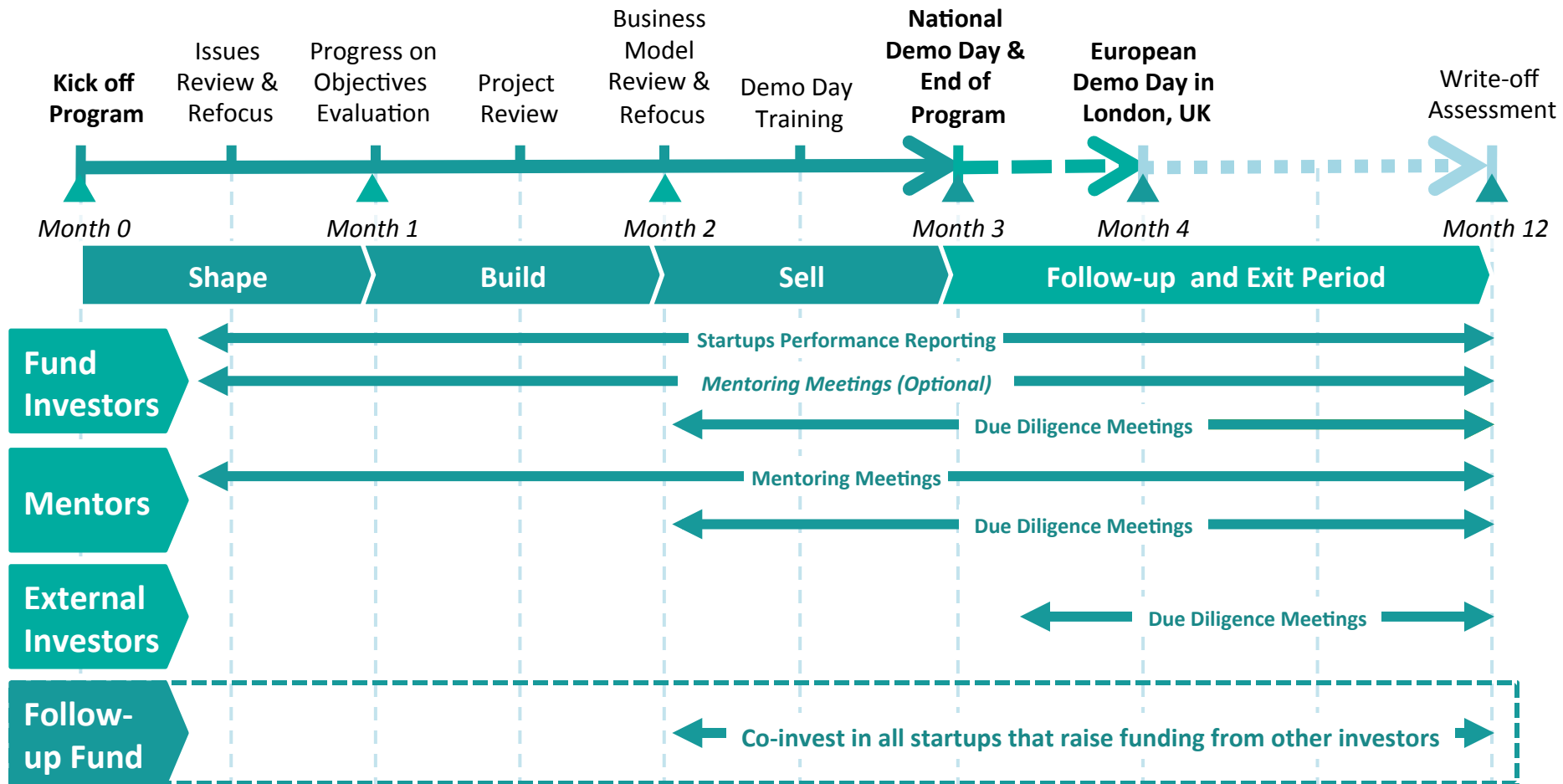
### Format





# Our value proposition's structure

Through SBC, we will advise, assist and monitor over 30 seed-stage startups per year , co-investing through our Follow-up fund in all winning startups that raise funding



# Our secret weapon: The mentors



# Our other secret weapon: other mentors



# What's in it for the mentors?



The main key to success of StartupBootcamp resides in the program of continued mentorship. Mentors support the development of our startups from their experiences.

## Profile of the Mentors

*Investors*

*Successful entrepreneurs*

*Academics and opinion leaders*

*Directors of big companies*

**Mentorship**

- ✓ One-day visit at our office:
  - ✓ 30 min presentation
  - ✓ Private feedback session with each team (30 min)
- ✓ If interested, follow-up meetings with the startups he/she chooses

## Benefits

- ✓ Explore **potential advisory positions**
- ✓ Possibilities of **early due diligence**
- ✓ **Access to technology** both innovative and cheap
- ✓ **First-hand knowledge** of interesting startups
- ✓ Early detection of **future trends**
- ✓ Direct contact with **entrepreneurial talent**
- ✓ Warm, fuzzy feeling of **helping others**



*Our Madrid program teams*

**#SBCMAD11**



www.giftme.de

*The intermediary between social networks, online shops and payment systems that simplifies the process of organizing group gifts*



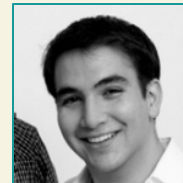
**Philipp Herkelmann**

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**Daniel Alonso**

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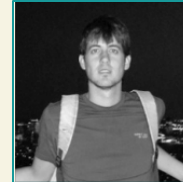
The screenshot shows the GiftMe! website homepage. At the top, there's a navigation bar with the logo and language options (English, Deutsch, Español, Français). Below that, a main heading reads "Awesome Gifts for Everyone!". A sub-heading says "GiftMe makes it possible to organize group gifts on Facebook together with your friends." There's a sign-up form for "Beta Invites" and a "Your Email Address" input field. A large diagonal banner with a dashed border contains the text "Open beta is ready, start gifting and share the love". Below the banner, there are three columns of content: "Add what you like" (with an image of a laptop), "Share with Friends" (with an image of a smartphone and a person icon), and "Gift Together" (with an image of a heart and gift boxes). Each column has a brief description of the feature.

*The Social Sports Networks who bring you all organization and communication tools to play sports when, where and with whoever you want*



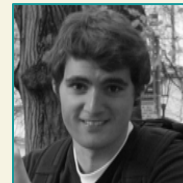
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**Francisco López**

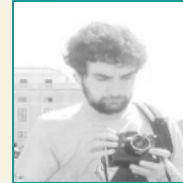
francisco.Lopez@timpik.com

*Mobitto offers a mobile and web self-service marketing application, allowing merchants to tailor offers in real-time to the people they want, when they need it*



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*Your cloud desktop. Linkovery is an online desktop for web apps and web sites. It allows users to organize, discover and share with friends all their web applications*



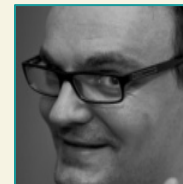
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**Eddie Salazar**  
eddie@dittit.com



*First collaborative game network that gives users the opportunity to create their own games using online multimedia*

**Play, Create, and Compete!**

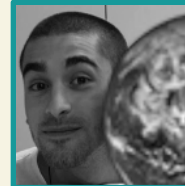
Netgamix allows users to play and create their own trivia games and online games, share them, and compete with others.

Play, create your own trivia games and embed them anywhere!



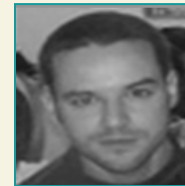
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**Eduardo Gibaja**

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**Javier Anaya**

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**Nozomi Yamawaki**

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*Myrio offers smart matching suggestions for outfit combinations and accessories providing a regular update of items, combinations and quantities*



**Ivana Marsic**

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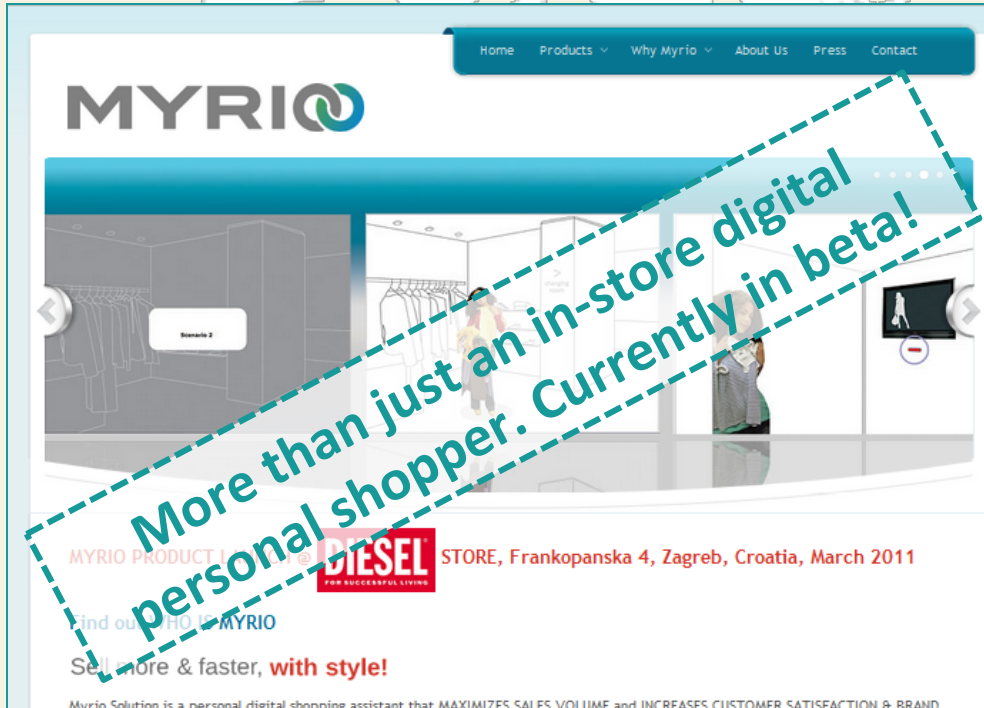
**Andrijana Culjak**

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**Matko Balic**

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**Providing the world's first personalized language learning tools, giving all students the chance to learn faster, cheaper and more effectively**

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**live** Changing the way you learn languages **beta**

**Learn with a teacher**  
Sign up to our acclaimed online language learning programs and benefit from the personal attention of our worldwide network of gifted tutors. Enrollment is ongoing, just follow the link below!

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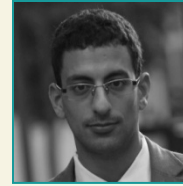
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Q&A