



NBEI-EDT North Market Research

Accelerator Models/Programmes

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**DELIVERING SOCIAL CHANGE
THROUGH THE SOCIAL INVESTMENT FUND**

Outline of the report

Over the last decade accelerator programmes have continued to expand globally as a popular method of support for early-stage ventures and start up businesses. Funded by a range of investors, public bodies or large corporations, these programmes provide space, money, mentoring and support to batches of entrepreneurs to help them rapidly grow and scale their business idea. However, despite their growing popularity, very little research has been completed that offers a comparison between the different types of accelerator models available as well as how such models perform in practice. Produced by NBEI this short paper will look to develop on a body of work on accelerators already completed by NESTA and provide a deeper understanding of these models, particularly in the local context of encouraging early stage ventures and start ups in Belfast, Northern Ireland.

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1 Unpacking accelerator programme/models

1.1 What is an accelerator programme/model?

Within the start up community, the term ‘accelerator’ carries a broad definition. Moreover, as accelerators still represent new and innovative ways of developing startups, the packages offered by such programmes are always developing. NESTA’s 2011 ‘**Startup Factory Study**’, updated in 2015 has highlighted how accelerator type programmes generally share similar characteristics and offer the following levels of support;

- An application process that is open to all, yet highly competitive;
- Provision of pre–seed investment (around £10,000 to £50,000), usually in exchange for equity;
- A focus on small teams not individual founders;
- Time–limited support, usually between three to six months, comprising programmed events and intensive mentoring;
- Cohorts or ‘classes’ of start-ups rather than individual companies.

It is not yet known if NBEI would be able to offer a package to potential start-ups and as discussed in the previous meeting whether it would be even possible to define this offering as a dedicated ‘accelerator’ model or programme. However, NESTA concede that it is possible for other levels of support can be added to the programme at various stages on an ad hoc basis. This support can include anything from the use of:

- Angel networks – groups of individual investors who invest their own capital into small or growing businesses, and provide mentoring and business expertise;
- Business competitions – aim to stimulate innovations and find talented entrepreneurs;
- Co–working spaces – offer flexible desk and meeting space, opportunities to meet other ventures or entrepreneurs, and a programme of events or learning to support ventures;
- Entrepreneurship courses – usually run by business schools to teach the theoretical basis of entrepreneurship, although some may also include a practical component;
- Hackathons/Startup weekends – very short, intensive, hands–on programmes designed to encourage collaborative development, and test whether an idea may be viable as a startup;
- Maker spaces/hacker spaces – community–style spaces where people can come together to collaborate and share knowledge;
- Mentoring schemes – focus purely on mentoring and are designed to share expertise and experience;
- Seed funds – provide initial equity funding to start-ups;
- Social venture academies – offer programmes to help accelerate learning for social ventures and entrepreneurs, whether they are already working on a venture or just in the early planning stages.

2 Accelerator programmes/models in practice

- To better understand how accelerator programmes work and vary in practice, NBEI has put together table 1 which offers a comparative analysis of accelerator models that are currently available worldwide.
- This analysis is broken down for each individual accelerator and provides further information about the date the programme was created, its location, the duration of

the programme, the level of investment offered as well as the final percentage of equity taken in the start up receiving support. It also shows output from the programme in terms of the number of companies that have benefited from support since the inception of the programme as well as the level of follow on funding that has been invested.

Table 1 Comparative analysis of accelerator models

Accelerator	Location	Date created	Length of programme	Investment size	Equity stake taken	Output (active numbers/follow on funding)
Techstars	London UK	2013	3 months	£12,500 +	6%	22/ £10.4 million
Healthbox Europe	London UK	2012	4 months	£50,000	10%	7/ Undisclosed
Fintech innovation Lab	London UK	2012	3 months	N/A	N/A	14/ Undisclosed
Bethnel Green Ventures	London UK	2011	3 months	£15,000	6%	34/ £9.3 million
Climate-KIC Europe	Europe	2010	3 months	£75,000 max	N/A	45/ £46.5 million
Microsoft ventures Acc	Berlin Germany	2013	12 – 18 months	4 months	N/A	16/ Undisclosed
Axel Springer Plug & Play Acc	Berlin Germany	2013	4 months	£19,000	5%	46/ £6 million
ProSiebenSat. 1 Accelerator	Munich Germany	2013	3 months	£19,900	5%	26/ Undisclosed
Start up boot camp Berlin	Berlin Germany	2012	3 months	£11,900	8%	16/ £4.9 million
Le Camping	Paris France	2010	6 months	£3,600	3%	72/ £14.8 million
The Family	Paris France	2013	Indefinite	N/A	3%	Undisclosed
L'Accelérateur	Paris France	2012	4 months option for more	£7,900 +	7 – 10%	49/ Undisclosed
Scientipole Croissance	Paris France	2002	6 months	£15,900 - £71,500	N/A	Undisclosed

- Not listed in the table but an important feature of any accelerator is the package or type of support that has been offered to help develop the start up. Many of the accelerator programmes that NBEI examined offered very similar packages which

was discussed initially in section 2.1 but will be looked at in more detail during section 5.2.

3 Accelerator programmes/models in Northern Ireland

3.1 StartPlanetNI

- The StartPlanetNI Accelerator has been developed and delivered as a partnership between Xcell Partners, Belfast, UK and StartPlanet of Cork, Ireland. In addition to being part of the Global Accelerator Network, StartPlanetNI have also recently been endorsed under the UK government's Department for International Trade's Global Entrepreneur Programme (GEP). Funding for the accelerator is led by Northern Ireland's first S/EIS fund, **Colman Equity Ltd**, who look to invest in early stage technology startup companies. StartPlanetNI currently based at **112 Donegall St**, on the edge of the Cathedral Quarter.
- In terms of support the initial seed investment offered by StartPlanet NI is set at £20,000 for a 6% equity share. In addition to offering co-working space, StartPlanet also offer a pathway to Invest NI who can potentially offer additional support of up to £100,000 which is broken down in the following table 2:

Table 2 Breakdown of further Invest NI support accessed via StartPlanet NI

Research and Development	£50 to £100,000 Funding
Proof of concept	£10 - £25,000 Funding
Key person staffing	Up to 50% Salary costs
Marketing and Trade Support	Up to 50% Promotional costs

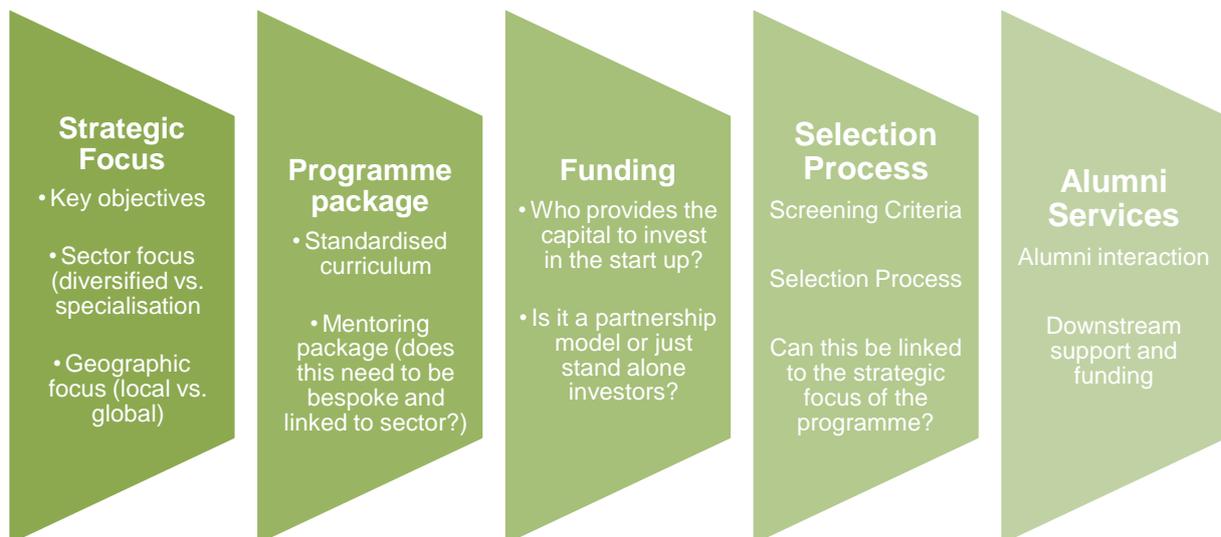
3.2 Invest NI's Propel programme

- Propel is another Invest NI programme for entrepreneurs who show the greatest potential to start up and scale an export focused company. Propel will accelerate the best business ideas so that at completion stage, participants will be able to pitch for investment and do business internationally. The programme is delivered in two phases. Entry to both stages is a competitive process, with 50% of phase one participants progressing to the second phase. At present the Propel programme currently offers the following support:
 - Up to £20,000 financial support.
 - A series of 12 high quality training workshops.
 - Individual mentoring support from experienced international entrepreneurs.
 - Help with drafting an investor ready business plan.
 - Pitching to potential investors.
 - Shared work space.
 - Support to make overseas market visits.
 - Networking opportunities.
- The propel programme also offers support for **existing business** who are able to demonstrate now or over the next three years have:
 - A total sales of over £100,000 per year; and Sales outside Northern Ireland greater than 25 per cent of turnover, or greater than £250,000 a year.
 - If the business is from the tradeable services sector, that is, it can sell its services internationally,

- Have the potential to sustain salaries above the Northern Ireland private sector median; or show that the business can achieve a minimum gross margin of 20 per cent.

4 Could an accelerator type model work for EDT?

- The research indicates that as quickly as new accelerators are created, there is increasing scope for existing accelerators to change and rapidly adapt their models. Accelerators are still a relatively new concept and in their own search for long term sustainability, the components of the programmes – such as investment models, mentoring structures and follow-on support – are all subject to change.
- However Clarysse et al (2015) have identified (in the diagram below) five core components that essentially define the structure of a basic accelerator model/ programme. They also acknowledge how at the same time there is scope for ‘play’ or flexibility within each of these components. For example could the incorporation or use of the FABLAB technology into the programme package as a dedicated ‘maker space’ represent a bespoke offering that would help to give EDT’s accelerator model a unique market focus?



- To conclude, the report will discuss in more detail each core component in diagram. Perhaps the next discussion we have as a group could be shaped around how EDT could ‘play’ or experiment with these components to see what a feasible accelerator programme might look like in practice.

4.1 Strategic focus

- Strategic focus is strongly influenced by the different types of funders/stakeholders supporting the programme. For example, an accelerator will have different key objectives depending on whether it is backed by private investors, large corporations, public funders or a cocktail of all three. Would it be important for NBEI to build in a series of social objectives to the programme to ensure that the start up’s that are being supported are able to demonstrate a high level of not only economic but social impact. Is this necessary from the start or it could it be worked into the venture downstream?

- Sector/Industry focus is another important strategic choice. This can range from being very generic to having a very specific (specialised in a specific industry or technology domain). For example, Fintech Innovation Lab focuses exclusively on the financial sector, L'Accélérateur is retail oriented, while Healthbox has a health–tech focus. Startupbootcamp Berlin has been shown to focusing their programmes more around certain themes, for example the application of financial technology in London.
- The geographic focus of accelerators also varies and this study has shown how they can be both focused on a specific local area or very international in their activities. **Techstars** is an example of a programme that has spread within the US and now internationally, with current operations in Boulder, Seattle, New York, Boston, Chicago, Austin and London. Although the local programmes each operate autonomously, Techstars as a whole aims to share best practice across accelerators.

4.2 Programme package

- As identified in section 3, many accelerator programmes offer similar types of support to their start up ventures. EDT has summarised these below:
 1. A 'curriculum' or 'training programme' that new ventures go through. This can cover a variety of topics, for instance, the ProSiebenSat.1 accelerator includes finance, user design, PR, marketing and legal aspects of setting up a new company.
 2. A programme of events, such as expert workshops and inspiring talks.
 3. Regular counselling, often in the form of weekly 'office hours'. These regular meetings with the accelerator management team generate mutual trust, and provide business assistance and enable a 'weekly' review of their progress.
 4. Investor demo days. These can be focused as much on customers as on investors; for example, Healthbox Europe focus their demo days around getting target customers in the room to view their startups.
 5. Co–location in a shared open office space, which encourages peer–to–peer learning and collaboration.

4.3 Funding

- Funding is a critical difference between accelerator programmes. The most common approach is for programmes to be established as a venture capital–like fund by taking equity in the accelerated companies in the hope that this will eventually over time repay the programme costs.
- However, there are also other models where programmes may be publicly funded or supported by corporate sponsorship, or a combination of these two together. For example, **Techstars** has partnered with a number of corporates, including Nike, Disney and Barclays, to power their own accelerators. It's also important to note that the funding models of many accelerators are, to a large extent, still unproven.
- Some programmes have therefore looked to **diversify their income stream** to improve financial viability. For example, Paris–based L'Accélérateur has added a pay as you go learning programme, called 'School for Entrepreneurs', which provides

theoretical courses, practical field work and internships within the accelerator's programme itself.

4.4 Selection process

- A screening and selection process is the fourth core component. Potential start up's are usually selected in batches, but the 'how' and 'why' they are selected, differs among the different accelerators. The method of screening can range from a simple two-staged process to a rigorous multi-staged process. Usually, an open call is organised during a period of time where portfolio companies can register and apply online, often on a software platform such as F6S.com, Fundacity and Angel.co.
- Some programmes, like Startupbootcamp and Climate-KIC, go one step further and actively scout startup events before the application period. Then, a standardised screening process is organised in which external stakeholders tend to participate. For example, Healthbox Europe employ a selection committee, comprising of mentors, investors and alumni, to help shortlist companies in its programme. The portfolio companies are expected to present their ideas in a competition style format and they are screened in person.

4.5 Alumni services

- The last core component we identified is the alumni service. Some accelerators put a lot of emphasis on keeping active relations with the companies that graduated from their programmes. Most accelerators run regular events for alumni and invite some of them back to potential new start ups and share their experiences where possible.
- NESTA have also shown how accelerators that take equity in their start-ups also have an added incentive for providing continued support to help their alumni succeed. Once an accelerator has developed over a number of years, the alumni network can be an important source for mentors and further potential investors. Successful graduates are shown to re-invest (both in terms of time and capital) back into the community which supported them in the first place.

5 Bibliography

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