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The second, expanded edition of the Report. Happy reading!

We present new issues and explain the differences from last year’s edition

Who and where are Polish startups?
This is the second edition of the Polish Startup Report, and it seems that this research initiative of the Startup Poland Foundation will become a permanent and valuable source of information on the status and trends in the Polish digital economy. It is also worth noting that in the current edition, startup founders were more willing to participate in the study than last year (up by 64%), and the resulting very high rate of questionnaire completion (26%) means that the obtained results may likely be generalized to the entire startup population.

In addition to getting a more complete picture of the current state of Polish startups, you can point to a number of interesting trends as well as future challenges faced by young students of the digital economy on the basis of these two editions. As for the resources that are
needed, traditionally funding has always been the main one, but the solution does not have include only external sources. Like in the most developed countries, the strategy of using one’s own resources, known as bootstrapping, is becoming more popular, which requires resourceful financing, rapid revenue generation and avoiding expensive investments at the start.

The real challenge facing the Polish digital economy is the lack of qualified IT specialists. Already every fourth startup is solving this problem by employing foreigners. We need to urgently consider speeding up the immigration process for IT specialists, especially from neighboring countries, and offering a wide range of international subcontracting services through Polish companies, both large as well as those just being formed.

Researching the Polish startup community has revealed the general rule that to function effectively in the digital economy, you have to act on a global scale. In this context, it’s reassuring not only to see that almost half of the surveyed Polish startups do business abroad, but above all, that a significant portion of them go after foreign customers almost from the beginning, and that those customers generate more than half of their revenue. For the most ambitious Polish startup founders, such a strategy ensures that the planned dynamic development of the company won’t hit a barrier in the future due to the limited capacity of the domestic market.
Startups are the key to an innovative economy. It is thanks to them that ideas and research are transformed into companies. As you can see from the 2016 Report, we have a large digital environment and a developing startup community in Poland.

A startup community and an ecosystem of networks are essential factors in the development of innovation. The largest innovative successes of the last 15 years are New York, London and Israel. All three are based on startups operating in the digital cluster, most of which are the result of the know-how generated by universities and which are embedded in a broader ecosystem rich in resources needed for the development of companies.

As we look at the results of the Startup Poland Report, its answers show that 48% of startups get knowledge and develop their networks through industry meetings such as the Aula, Hive, Startup Stage and OpenReaktor, 43% through participation in competitions, 39%...
through mentoring and 37% by participating in events such as hackathons and Startup Weekend. The ecosystem is alive, and the degree of relationships is significant. People and knowledge flow between organizations. This is a very good sign.

For the ecosystem to grow, it is important to have varied and diverse sources of funding from investors, who provide knowledge and networks in addition to financing. The Startup Poland Report shows that 22% of startups have received funding from seed funds and venture capital funds, collectively referred to as VC funds in the Report, and 17% have received financing from business angels. On the one hand, we can congratulate ourselves – the number of startups backed by angels or funds number in the hundreds – but on the other hand, if this number would be an order of magnitude greater, the efficiency of enterprises would increase significantly. The liquidity of the financial market would provide a better chance of finding investments for interesting projects. This especially concerns the number and activity of business angels. The foreign network has the biggest influence on the development of an ecosystem.

The network effect of the ecosystem, which we see in Poland, multiplies if the local ecosystem is smoothly connected with developed foreign ecosystems. This year's report allows for much greater understanding of the global connections of Polish startups. Almost half of them do business abroad, and 1/3rd of all of the surveyed companies are startups created in view of the global market. In Poland, we have hundreds of startups that are built for foreign markets; hundreds that launch in Poland and then go abroad. It's a great sign!

I invite you to read the report and I hope that the number of startups grows and more and more of them are transformed into large, good companies!
From this year’s Startup Poland Report, we know that there are approx. 2,700 startups in Poland. Most of them produce software and supply their products and services to other companies. European research shows that Polish startups are still young – their average age is under two years. This puts us in third place in Europe with the youngest business, right after Romania (1.3 years) and Italy (1.7 years).

Polish startups are also very Polish – 95.4% of employees and 94.9% of startup founders are native citizens. This is a high score compared to other EU countries, where 12% of founders and subsequently 32% of employees come from countries other than the country of incorporation. It can be concluded that cultural pluralism generates far greater potential for innovation and productivity. European startup capitals like London and Berlin have the most international employees. On the other hand, Paris and Tel Aviv rely mainly on workers from their own countries. All, however, are looking for talent abroad. In France, for example, in 2015 the government launched a special scholarship program to attract foreign entrepreneurs who wish to establish or develop their startup in Paris.

Why such interest? Growing companies from the technology sector touch almost all areas of society and have become a major determinant of the innovation of a country’s economy. Let us recall some of the most important events in Poland.

The year 2016 began with good news – the startup Estimote, which is based in Poland and the U.S. and was founded four years ago by Jakub Krzycha and Łukasz Kostka, who were later joined by American Steve Cheney, received $10.7 million from investors in Silicon Valley in a new series A financing round.

The fact that beacon technology is still growing was confirmed by the news that Kontakt.io closed their series B round of financing and re-
ceived $5 million from investors. The founders of the Krakow startup declared that the capital will be allocated for product development and the doubling of their 65-person team.

In February, we also found out that the startup Audioteka, launched in 2008, is now worth 75 million PLN. The Warsaw company sold a million audiobooks in 2015, growing by 50% compared to the previous year. It is an example of a business whose products reach the markets of 23 countries, offering audiobooks in 11 languages, including Spanish, French, German, Polish, Swedish, Czech, Slovak, Italian, Portuguese, Turkish and Lithuanian. The user database is also growing, and now has 5 million registered users.

In March, all the buzz in the media was about iTaxi, the app used to order taxis, which received a grant of 8 million PLN. All of the capital raised is intended for development. But there’s plenty of competition – iTaxi’s direct rivals in Poland include German MyTaxi and American Uber. Such a solid cash injection might be enough to make their business rivals think twice.

Just two months later, in May, Brainly.com (known under the brand name Zadane.pl domestically) received a solid financial boost to help them in their expansion to global markets. The money invested in the Polish startup came from the South African company Naspers, which supports promising companies from the media and new technologies sectors. Brainly received $15 million, or approx. 60 million PLN.

Then, in June DocPlanner, the owner of Polish ZnanyLekarz, acquired a Spanish competitor and received $20 million in funding. Thanks to the acquisition and investment it will be able to enter the Mexican and Brazilian markets, where private medical care is very popular. 17 million patients visit the group’s sites per month, and the database contains 18 thousand active doctors. The founders have declared that maybe in time the company will debut on the stock exchange.

In July, we learned that Ultro (an investment vehicle of Dariusz Milka, owner of the shoe chain CCC) will invest 44 million PLN for more than 1.2 million shares of Zortrax, a Polish 3D printer manufacturer. As claimed by its representatives, this is one of the largest transactions on the capital market. It is worth recalling that the history of the Olsztyn startup began in 2013, when the company raised $180 thousand on the crowdfunding site Kickstarter to create their home 3D printer. In 2015 the company had 37.6 million PLN in revenue and 8 million PLN in net profit.

And the final piece of news rather symbolically shows the changes happening to the economy. In August, the media reported that CD Projekt Red was ahead of Energa in terms of stock market capitalization. In the eyes of Polish investors the computer game producer is worth more than the energy giant. Its market valuation exceeded one billion dollars!

This kaleidoscope shows that technology can turn the innovative ideas of young Poles into projects with a global reach. I believe that we will see more and more news like this, because Poland has an energy for work and an innovation potential to be exploited.

At Startup Poland we loudly proclaim that startups – new companies with huge prospects – are important. We realize that to be a good advocate for them, we must use reliable data, which simply did not exist until the publication of last year’s report. After last year’s success, we know that this information is needed, so we have undertaken the challenge to reach out to all of the startups in Poland for the second time.

We managed to get nearly 700 startups to answer our questions. All that remains is for me to thank each one of them for their time, and encourage our readers to continue reading!
Main findings

1. The updated number of startups in the Startup Poland database amounted to 2,677 this year.

2. 692 companies responded to the invitation to take part in our research survey, or 26% of startups.

3. The CEOs or founders of the company completed the survey in 85% of the cases.

4. Nearly 3/4ths of the startup respondents are in the middle stages of development, which rely mainly on intensive work on product development.

5. More than 3/4ths of the surveyed startups sell to businesses, half of which sell to large companies or corporations.

6. Every third startup surveyed sells its services in the popular SaaS model.

7. Every fifth startup declared that its product is related to hardware – in terms of the production and/or design of such solutions.

8. The studied startups generally identified their main products or services as being in the category of "mobile", "e-commerce" or "software".

9. Exactly half of the Polish startups surveyed are financed from their own resources.

10. The most popular sources of external capital are: subsidies from the European Union (24%), Venture Capital funds (22%) and business angels (17%).

11. Exactly 3/4ths of the respondents have plans to apply for external capital.

12. Every fourth startup with regular income surveyed doubled sales over the last six months.
When asked about current needs, the surveyed startups listed money (63% of responses), and every second one listed skilled workers.

Among the surveyed startups, 47% are exporters. Every second one gets more than half their income from abroad.

The findings indicate a polarity in the group of exporting startups: the first major group exports a large amount, while the second exports very little.

Every seventh studied startup has a patent or a pending patent in Poland or abroad.

42% of respondents collaborate with a research and development center.

The majority of companies surveyed (59%) are micro-enterprises. More than 80% of the surveyed companies increased their number of employees in the past six months.

Almost half of the respondents do not employ on the basis of employment contracts.

Nearly every fourth startup hires foreigners.

26% of the respondents had at least one woman among the founders. 13% had someone with a doctorate.

The founders and CEOs of startups are usually in their 20s or 30s, are well educated and willing to improve their qualifications.
Methodology and definition of a startup

1 This year’s survey and the *Polish Startup Report* 2016 developed on the basis of it are the next steps in the exploratory research that is intended to determine the importance of this part of the digital industry, which consists of entities called startups, to the economy. We are mainly interested in the Polish economy, but this year we also began a collaboration within the Visegrad Group, which is conducting similar research in the three countries of the region (Czech Republic, Slovakia, Hungary).

2 The study was conducted for the second time – the first edition took place a year ago and was concluded with the publication of the report *Polish Startups* 2015. For the purpose of this year’s survey we have adopted the definition of a startup as a project that meets at least one of two conditions: it belongs to the digital economy sector, which means that the processing of information or derivative technologies are one or more of the key elements of its business model, or it creates new technological solutions within the branches of IT/ICT.

3 We decided that this definition is formulated in accordance with both the academic and political understanding of the "new economy", also called the "e-economy" or "e-business".

4 As a Polish startup we recognize an entity that meets the definition of a startup and at the same time is registered in Poland or has at least one founder who is a Polish citizen. In the latter case it must satisfy an additional condition; namely, it must at least partially operate in Poland (for example, developing the software here). A startup cannot be a Polish branch of a company whose head office is abroad.

5 In equal measure to the previous definition, the selection of the groups picked to take part in the questionnaire was influenced by the fact that the companies were taken from those listed in the startup database that was created and is updated by the Startup Poland Foundation. The method of the database’s creation and the implementation of the survey is therefore an important element of the methodology used in the study.

6 At the turn of March and April 2016, a new version of the survey was developed, based on our knowledge and experience from last year’s survey. In the first half of May twin questionnaires were created for the joint part of the research conducted by the Visegrad Group. The final version of the Polish survey had 48 questions, most of which were single or multiple choice. Access to some questions depend on the answers to the previous questions. All but five questions were voluntary.
In June 2016 we updated and supplemented the startup database. For this purpose, we asked representatives from the following institutions for a list of startups: Venture Capital funds, accelerators, incubators, technology parks, training companies, organizers of startup competitions, industry media and the startup community, and also used private rankings and startup databases. This is how we put together a database containing 2,677 entities.

The questionnaire was opened to respondents on July 4th, 2016. All of the companies in the database received two e-mails asking them to fill in the questionnaire, and some were contacted by phone. In addition, news of the study was made available on popular startup channels in the media and on social networks. The questionnaire was closed on August 15th, 2016.

Just like in the previous year, the service Webankieta.pl was used to conduct the survey.

692 companies ended up completing the survey (26% of the database).

The first question, "Is your venture a startup?" was answered in the affirmative by 517 respondents. Another 22 projects answered "difficult to say", but after examining the reasons given by those with doubts (in the vast majority they did not agree with our definition of a startup, but the companies themselves fit it), we decided to include them in the analysis. Therefore, the results discussed in the Report are based on responses from 539 startups. Among them were 107 that had participated in last year's survey (every fourth respondent from 2015).

In the introduction to the survey we asked that, if possible, the questionnaire be filled out by the (co-)founders, the shareholders or the CEO of the startup, which happened in over 85% of the cases. This fact means that the data and opinions obtained in the survey are highly reliable. The rest of the respondents perform other functions on the boards or are project managers.

A variety of methods of analysis were used on the collected data. Raw data were edited, coded and analyzed using IBM SPSS Statistics. We also used the analytical tools available on the site Webankieta.pl.
Summary of studies from 2015 and 2016

Experience drawn from the first edition of the Polish startup study taken last year dictated the new items that were introduced to the survey and, as a result, the content of the new Report. Changes result from the fact that this year’s study included the Visegrad countries (the Czech Republic, Slovakia and Hungary in addition to Poland), which resulted in the need to standardize the questions that would be used for international comparisons (to be published soon). Below is a list of new issues introduced in this year’s survey:

1. We asked the respondents to specify what percentage of their time was spent on working on their product or service. As a result, we know that only one in five of the surveyed startups consider working on their own product as a side hustle, rather than their main job, i.e. dedicating less than half their time to it.

2. This year’s survey asked the respondents who they are: their role in the startup, how old they are and their current level of education. 85% of the data comes from the co-founders and CEOs of the surveyed startups.

3. Another new element of the questionnaire were two questions addressed to startups that employ workers. The first concerned the internationalization of the staff, and the second investigated the popularity of the employment contract as a legal form of employment in startups.

4. For the first time we studied startups involved in procedures for the award of public contracts. We asked the respondents whether they took part in them, what was the result and whether they intended to do so in the near future.

5. We also asked exporting startups if they had done business abroad from the very beginning of their operations. The group of exporters who answered yes to this question can be considered “born global” companies.

In addition, to the new questions, the remaining ones were reformulated, sometimes narrowed or clarified. In some questions we added a six-month time frame. These changes can cause large differences in the responses from the previous year to questions that seem to be the same. Below, we compare and translate these results, which may raise doubts due to changes in the results obtained between 2015 and 2016:
1. The number of startups in the database created by the Startup Poland Foundation increased from 2,400 to 2,700, an increase of 12%. The increase in this number should not be equated to a general increase in the number of startups in the last year, because it was rather an effect of a more effective cataloging campaign. Comparing these data to other countries, we recognize this case and do not expect major increases in this number in the future.

2. By studying business models, this year we obtained a higher proportion of sales to other businesses, i.e. B2B (77%), than a year ago. In this edition, the question of business models was specified, so we obtained full information from all of the participating startups. As a result of the conducted calculations, we know that 51% of the respondents declared that they operate solely in the B2B model, while 18% operate only as B2C and every fourth respondent implements both models simultaneously.

3. Compared to last year there has been a clear change in the listed sources of funding. This results from the addition of a question that indicates self-financed companies in an unambiguous manner. As a result, we know that 50% of startups are financed (and have been financed since the start) solely from their own resources. At the same time, the data shows that 80% of startups invest their own funds in their venture (including revenue from sales).

4. Just like last year, we asked about the number of customer segments the startups are targeting. Those surveyed this year indicated an average of 3.05 segments, while a year ago it was 3.50. The lower value of this indicator may indicate a stronger focus by the surveyed startups on a particular customer segment (or segments), which allows them to better match their solution to more concrete needs.

5. The question about hardware was also treated separately, with a request to specify work on the design and/or production of equipment. As a result, 19% of the respondents indicated hardware as the main area of their business, with nearly 3/4ths of them engaged in both design and production. This the result is much higher than the 11% declared in last year's study.

6. We can also observe some differences in the industries and sales models that respondents declared as characteristic of their businesses. The structure of the most popular sectors in 2016 is very similar to the results from the previous year. Any differences are influenced by two factors. The first is the narrowing of the definition of a startup in 2016, which excluded most of the agencies classified as a "software house" from the study, which a year ago were listed in these areas. The second change concerned the imposition of a limit in the number of declared industries to three. Apart from the
listed changes, the structure of the popular sectors in 2016 is very similar to the results from the previous year.

When the respondents were asked to indicate their company’s stage of development, we moved away from linking it to the valuation of the company. Instead, we proposed four stages related to the type of challenges and nature of the dominant work that the startup faces.

Significant differences occurred in the level of non-financial support used by startups. Last year, as a result of the incorrect wording of the question, the results suggested a very low level of interest in this type of support. This year, we identified and clarified the question on the sources of knowledge and networking and thus obtained complete information, which is described in the section on financing.

In last year’s study, 30% of the respondents claimed to have patents, trademarks and technology licensing. This year, the question was narrowed only to the patenting of industrial property in Poland or abroad, which was indicated by 14% of respondents.

Differences also appeared in the declarations of the imitative nature of products. Last year, 23% of those surveyed admitted that they “rather copy” existing solutions. In this year’s questionnaire, the question was worded more strongly, resulting in only 4% of respondents indicating that they “copy existing solutions”, while another 43% of them “improve” upon them. Therefore, the differently articulated answers do not allow a direct comparison of these results with each other. It is worth noting that in both last year’s and this year’s study, half of the respondents indicated that they are creating a “completely new” product.

Once again, a question about collaboration with research centers within the framework of research and development arose in the survey. A year ago, such collaboration was declared by every fourth respondent, while this year it was 40%. Although we would like to see the popularity of the relationship between business and science grow at this pace very much, we must admit that this difference stems from the different format of the question (instead of answering yes/no, we proposed concrete forms of collaboration and an option for none).
The barely year-long history of our study does not allow for the formulation of a number of proposals on the direction and dynamics of the changes taking place in the startup market in Poland. However, with each edition of the research and work on the Report, we are approaching our goal, which is to determine the significance of these entities within the Polish economy. We are making changes that improve the survey and make the collected data more accurate and more reliable.

I am proud that this study is the first to examine the nature of startups as an economic phenomenon in Poland in such a wide scope – in the sense of the number of companies surveyed. It is also a voice in the discussion on the definition of the concept. The study is exploratory in nature, however, and is, so far, unrepresentative. This means that you should not simply extend its results to formulate proposals for all startups in general on its basis, though it is worth noting that having such a large group of entities surveyed actually brings us closer to the truth about their nature.

Research on a representative sample is the next stage of the research that we intend to carry out next year. This will allow us to draw much more bolder conclusions and courageously and respectfully confront the impact startups have on the economy of the country in 2017.
Location

More than half of the startups that participated in the survey are registered in one of four locations: Warsaw, Krakow, Poznań and the Tri-City area. Other significant places of startup registration also include Wrocław, Szczecin, Białystok, Łódź, Lublin and Katowice. International registrations are mostly based in the United Kingdom and the United States. 23% of startups are registered in other Polish cities, and 3% abroad.
The legal form of more than 2/3rds of the startups participating in the survey (68%) is a limited liability company. Almost every fifth respondent functions as a sole proprietorship, and only 3% as a joint stock company.

Among the startups surveyed, 38% were registered in 2015 or later and 28% in 2013–2014. Every fifth startup was founded before 2013, and every seventh operates informally (i.e. is not yet registered).
Development stages

Distribution of the number of startups at different stages of development

The study asked startups to indicate their current stage of development. We proposed four steps, which were characterized as follows:

1. **Problem-Solution Fit Stage**, or formulating assumptions for the business model and putting together a team.

2. **Solution-Product Fit Stage**, or intensive work on the project, company registration, prototyping, first sales and/or users.

3. **Product-Market Fit Stage**, or stable sales and user base, functioning business model.

4. **Scaling Stage**, or a rapidly growing number of customers and/or users and revenue.
Almost 3/4ths of the surveyed startups (73%) are currently in the two middle stages of development, which rely mainly on intensive work on product development and testing business and revenue models. Fewer startups are in the initial stage of development or the expansion stage (12% and 15%, respectively).

At this point, it is possible to propose the thesis that this distribution is likely to reflect the structure of the startup market’s development in Poland.
Most startups exist briefly, but intensely, trying to create solutions to old and new problems. Insufficient analysis of the actual needs of customers means that many of these solutions never find buyers, and after 2–3 years of fighting with the market the startup folds.

We are very pleased by the increasing visibility of startups developed outside the main business centers – in Katowice, Białystok, Łódź and Lublin. These cities are seeing revivals of entrepreneurship supported by increasingly strong technology parks, which are becoming places where it is easier to get started in business thanks to both their support programs, as well as their shared infrastructure. Founders are slowly learning to take away lessons from failures and launch more companies in the hope that this time they will succeed, because the idea is to not give up. Out of 100 startups only 15 will achieve the success all the others dream of, through hard work, consistency and luck. You can see them on foreign markets, which they usually acquire quietly, not in the spotlight. We learn about many of the Polish startups present in the U.S. by chance, not from any articles on TechCrunch or interviews on MamStartup.

For them, what matters more than media mentions is the development of their business and the satisfied customers for whom they hone and refine their products, sitting behind desks in Lublin.

Nearly 1/4th of the technology companies that responded to the survey do not consider themselves startups – some of them reached profitability long ago and have confirmed a scalable business model, while others feel they have been around too long, and still others simply prefer to call themselves businesses, because they associate startups with half-hearted companies and hipster 20–year-olds. Polish founders are maturing; more than 50% of the companies are run by 30–year-olds, and 14% are 40+. Time will tell whether companies founded by people with years of experience will have a higher success rate.

The startup community is not uniform and it is difficult to expect it to be; founders start from different positions, with unequal access to capital and time that they can devote to the realization of their dreams; not all of them are motivated by the idea of making the world a better place. What they have in common is mutual support, a willingness to cooperate and energy, thanks to which they think they can do much more than others, and that’s exactly what they’re doing.
The dream of the Warsaw startup – that's the song Polish technology entrepreneurs can sing when it comes to where to found and launch their startups. Apart from Warsaw, the important centers include Krakow, the Tri-City, Wrocław and Poznań. This is probably the best answer to what city is the "capital of Polish startups". The huge difference between Warsaw (27%) and Krakow (11%) is so strange when you consider that the majority of the best Polish technology companies with global potential were created in the city of Krak.

The next, and perhaps one of the most important elements, is the identification of a startup's stage of development – 39% of respondents indicated that they are in the phase of building a prototype and testing business models, which means that most of the surveyed companies cannot yet be sure of their future.

To summarize – Polish startups are mostly very young companies at an early stage of identifying customer needs and often emerge thanks to European financing.

The most frequently indicated business type is a limited liability company, which may indicate that the study involved entities financed by EU programs (having an LLC is one of the basic criteria). As far as age goes, Polish startups are pups – 38% have only existed for one year. Companies in existence since 2012 made up only 21%.
Business models

The structure of customer types (multiple choices)

- 42% Individual clients
- 16% Freelancers
- 40% micro-enterprises
- 39% Small companies
- 36% Medium companies
- 30% Large companies
- 29% Corporations
- 23% Institutions
- 14% NGOs

Customers

The business model survey began by asking startups to indicate which of the proposed categories fit the startup’s main customers. The analysis shows the vast predominance of selling to other companies. More than 3/4ths of the surveyed startups sell to other businesses, half of which are large companies or corporations. There is also a significant group of startups offering solutions for micro and small businesses, but there are fewer who sell to state institutions and non-governmental organizations (i.e. NGOs).
Sales models

As already stated earlier, the vast majority of the analyzed startups (77%) pursue a Business to Business (B2B) sales model. In this group, however, there are also start-ups that sell to both business and individual customers, or implement a mixed model (26% of respondents). As a result, we can conclude that half of the surveyed entities implement the "pure" model of B2B, while 18% sell exclusively in the model of Business to Consumer (B2C). Startups in the "other" category perform variations of these models (B2B2C, B2G, etc.). It is also worth noting that every third startup surveyed sells its services in the popular SaaS (Software as a Service) model.
The studied startups most often identified their main products or services as belonging to the category of "mobile", "e-commerce" and "software companies". It is also worth noting the high share of those involved in "education", "Big Data" and the "Internet of Things". Every fifth startup declared that their product is related to hardware – in terms of the production and/or design of such solutions.
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<th>Industry</th>
<th>Percentage</th>
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<tr>
<td>Content and/or social services</td>
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<tr>
<td>Programming &amp; Developers Tools</td>
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<td>Design/ Applied design</td>
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<td>Telecommunications</td>
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<tr>
<td>Virtual/ Augmented Reality</td>
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<td>Sematic Web/ Artificial Intelli</td>
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<tr>
<td>Other</td>
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Mobile, e-commerce and business software demonstrate the practical thinking of our entrepreneurs. These are the areas in which they can deliver value to their customers and monetize it quickly. More and more industries (transport, food, health, beauty, etc.) that have not changed their business models for decades are being revolutionized by mobile applications and m-commerce.

In this context, I’m not surprised by the number of startups that are focusing on B2B sales. With a good product, it’s generally easier to find good indicators, and therefore also easier to obtain financing for your project.

This is due to several reasons:
1. B2C projects need a long time to scale and to begin to monetize, and it’s often the case that they don’t have a monetization plat at the start.
2. Usually the ARPU of products targeted at B2B customers is higher than for B2C, and thus it’s easier to maintain a good LTV/CAC ratio.
3. B2B customers are more loyal, so it is easier to lower churn. A common practice of B2C startups is to gain customers through promotions, discounts, coupons, etc., and this has produced strong mechanisms in them to seek new opportunities and has destroyed loyalty to most brands.

What’s not surprising as well is the large proportion of solutions sold in the SaaS model – those companies that are able to pass through the “valley of death” in the first years of operation later receive greater returns on investment.

I am pleased by the increase in the share of projects in the areas of IoT and hardware – it’s placing yourself where "the puck is going to be," as Wayne Gretzky used to say.

Stefan Batory, CEO iTaxi
The study has given us two pieces of information and trends that may be crucial for the further development of Polish startups.

First of all, there was a decline in the number of companies targeting their products at individual customers from 49% to 42% in exchange for a greater share in corporations, governments and NGOs. I think this is a good direction for changes for the Polish startup market. The B2C market is increasingly saturated. Barriers to entry in terms of innovation, which must be broken to win globally, especially in the SaaS model, are growing very quickly. The B2C model also has some difficulties with the development of business models offering long-term profitability and a return on investment for investors.

Another piece of interesting news is the growing group of startups working for corporations, NGOs and the largest structures in the world, i.e. government administrations. Major changes need to happen and are slowly happening in these areas. These organizations must become lean and outsource more and more services in order to innovate and remain on the market or on the map for a dozen or more years. There is still great potential for new solutions and an increasing openness to innovation, which had been missing before.

I am proud that in this study, you can see in Polish startups a trend of following global needs. We have 29% of startups working for corporations, 23% in the B2G model and 14% for NGOs. What’s especially interesting is the last number, which appeared for the first time in this study. I think it’s really a B2N2G model, because NGOs often perform tasks that before were part of the structures of central and local governments. I hope that this trend will become more pronounced in subsequent studies, because it not only gives startups sales that are usually on a large scale, but also changes our reality, providing completely new solutions and allowing you to dream of global aspirations for Polish startups and our country.

Dariusz Żuk, CEO Business Link
Public procurement

For the first time we have examined the importance of the public procurement market for startups. Among the respondents, 83% of the startups said that they have never applied for the award of a public contract. However, of the remaining 17%, every fourth one applies at every opportunity.

We can also say that the group that competes for public tenders is quite characteristic: they are startups with a better position on the market than the average in the study (more than 60% of them were registered before 2014) and are larger (every third employs more than 10 people). They are significantly more likely to produce or design hardware (one in three), or their products relate to mobile technologies, IoT or electronics and robotics. These are moderately profitable companies with a distinctive, high share of funding from external sources, especially VCs, business angels and NCBiR, Horizon 2020, or PARP. Every fourth founder in these startups has a doctorate, and 2/3rds of them are involved in research and development, while half are working with local universities, and every sixth has patents – also abroad. Half of them are exporters, but mostly small portions of their sales, and the main direction of these exports are the European Union countries. In this group, 3/4ths of the respondents intend to participate in tenders once again.

To summarize, we can conclude that developing startups seeking to commercialize new scientific solutions in the field of high technology, using external funding, including public funds allocated for this purpose, are interested in the acquisition of public procurements.

Returning to all of the surveyed startups, most of them (59%) are not planning to apply for a public contract within the next six months. 20% of respondents answered affirmatively and, importantly, 40% of them will do so for the first time. Every fifth startup has not yet made a decision in this regard.

Just a few of the startups surveyed confirmed that they receive public contracts as often as they apply for them, while a tenth of the startups do so occasionally. In other words, 58% of the startups that ever took part in public procurement procedures entered a phase of their implementation.
We understand the idea behind public procurement. We have taken part ourselves several times and our results varied. Sometimes we ended in success and sometimes in failure. However, what was always incomprehensible to us was the clinging to the criterion of price in Poland. Fortunately, changes in the Public Procurement Law of 2016 have organized the catalog of available non-financial criteria, describing other things such as quality (including technical specifications, aesthetic and functional characteristics), social aspects (including the professional and social integration of excluded people, accessibility for disabled persons and considering the needs of users), environmental aspects and the innovation, organization, professional qualifications and experience of those responsible for the contract, if they can have a significant impact on the quality of the performance of the contract, as well as after-sales service and technical assistance and delivery conditions. But all the time tenders cling to the criterion, in which 100% of the points depend on the price. In our experience, competing only on price means sentencing both the customer who pays us as well as the deaf people who use our tools to mediocrity. And we can't tolerate this – we are distinguished by quality. In addition, Migam was created together with the deaf, which is why it’s the only company that understands this community and takes their needs into account. We enable all of our employees to work under employment contracts, we pay them decent wages, and we are the only ones who provide professional internal and external training. As a result, the whole company is growing rapidly and is successfully acquiring new customers while providing better support for the current ones.

From a business perspective, the team’s energy should be primarily devoted to the creation and development of services and tools to meet the needs of society in cooperation with the target customers. Therefore, in our case tenders often turned out to be a waste of precious time mainly for reasons that could be described by referring to art. 15 of the Act on combating unfair competition, i.e. price dumping.

So instead of spending a few days on unnecessary paperwork, we prefer to take care of our current customers or make contact with 15-20 new potential customers. But time will tell and maybe changes in PZP and the increasing awareness of decision-makers will mean that we’ll receive points for what makes us really stand out – for example, our research and development project, which will enable the implementation of an automatic sign language interpreter.
Up to this point, have you financed your startup solely through your own resources?  

50% YES 50% NO

Sources of capital

In this year’s survey (unlike in 2015), respondents answered an additional question on funding sources overwhelmingly by declaring the use of their own funds.

The answers indicate that exactly half of Polish startups have been financed exclusively from their own resources.
Among the respondents that raised capital from external sources, the most often chosen sources were: subsidies from the European Union (24%), Venture Capital funds (22%) and business angels (17%).

At the same time, the data show that almost 80% of the startups have used their own funds (including revenue from sales) for their venture.
What external sources of funding are you planning to receive in the next 6 months? (Multiple choices)

59% **VENTURE CAPITAL**
56% **EU SUBSIDIES**
35% **BUSINESS ANGEL**
18% **ACCELERATOR**
11% **CROWDFUNDING**
10% **NONE (LOAN)**
16% **OTHER**

We asked startups about whether and what sources of funding they are planning to receive in the next six months. Exactly 3/4ths of the respondents have plans to apply for external capital. More than half of them are going to try for Venture Capital funding and EU grants (59% and 56%, respectively), while every third is counting on financing from business angels.

Getting a bank loan is a rare choice, for which only every tenth respondent would apply for. Although crowdfunding plays a marginal role in financing the studied startups (2%), 11% of them will try to raise funds from this source in the near future.
At this moment, are you generating revenues from the sale of your main product/service?

Revenues

We asked startups whether they have regular income; then, we asked the group that had declared a regular income and which constitutes more than half of the respondents about the pace of growth of these revenues.

The level of revenue growth for the last 6 months for startups with regular income

Among the startups generating regular income, up to 80% achieved an increase of at least 20% in the last six months, and almost every other (45%) of at least half. Every fourth startup with regular income doubled their sales over the last six months.
SECTION IV FINANCING

Non-financial support

Just like a year ago, we asked about the non-financial sources of support that are used by startups. Almost half of the respondents attended industry meetings such as Aula or OpenReaktor. Slightly fewer subjects say they took part in startup competitions. Mentoring and participation in events such as Startup Weekend was also very popular.

Almost every fourth respondent used the services of an incubator or accelerator. The fewest startups benefited from the support given at universities, though we cannot infer the reasons for this situation based on the survey.

Sources of knowledge and networking
(Multiple choices)

- 41% MEETINGS
- 37% COMPETITIONS
- 34% MENTORING
- 32% STARTUP EVENTS
- 26% INCUBATOR
- 24% ACCELERATOR
- 11% UNIVERSITY
- 31% OTHER
What resources do you need most at this stage of development? (Multiple choices)

- 63% Money
- 44% Skilled workers
- 42% Contacts (networking)
- 14% Expert knowledge
- 6% We have everything we need

Needs

When asked about their current needs, the surveyed startups most often indicated money (63% of responses; two choices could be picked). Almost every second respondent was in need of qualified personnel, and 42% need to expand their network of business contacts. Needs in terms of training or expertise are urgent for 14% of the startups that participated in the survey (every seventh respondent).
Bootstrappers

Examples of companies who used solely their own resources from the start

Dell Computers, Apple, Coca Cola, Oracle, SAP, Microsoft Corporation,

We investigated whether startups using solely their own resources (i.e. bootstrappers) show characteristic features in comparison with those trying for external financing.

Our analysis, like a year ago, showed that bootstrappers do not have any employees, or employ a very small number of people (1–3) much more often. In addition, they use alternative forms of employment other than an employment contract significantly more than other companies.

We once again concluded that self-financing startups achieve regular revenues much faster than the rest.

This therefore confirms the rule that bootstrappers have a much more cautious approach to long-term expenditures (such as wages) and simply generate revenues faster, as their existence on the market depends on them.

Facebook, Clorox, GoPro, Hewlett-Packard, GitHub, eBay, Cisco Systems
Financing is one of the basic factors of the operation of any business. It has an impact on all areas of its business: the ability to invest, grow or hire.

How are Polish startups financed? Half of them declare that they are financed by their own resources. On the one hand, it seems wise to do so: no credit, liabilities, or investors demanding half the shares in the venture. In this case, the company is growing organically, without risk, and although it has a much more cautious approach to expenditure, according to the study, it generates revenue faster. This approach to doing business is very conservative, however. It is worth asking whether and for how long a startup’s own funds will be sufficient for the further development of its capital?

There are no surprises in the case of companies using external financing. The most common sources of capital are still subsidies from EU funds, venture capital and business angels. It is interesting that financing obtained from the EU is still so popular among Polish startups. It should be kept in mind that it is very difficult to access for new businesses, the amounts are not great, and the restrictions associated with their use are extremely severe. Perhaps the popularity of EU subsidies is related to the fact that, as is clear from the study, they are not an alternative to searching for investors, but rather another way to find capital.

Bank loans account for only 6% of startup financing sources. Crowdfunding also gets a small share, though one of every ten surveyed companies plan to take advantage of it.

For startups, obtaining financing is often associated with their "to be or not to be".

In recent years, investors have begun to substantially avoid supporting ideas that only exist on paper. The concept of “try it before you buy it” is gaining popularity, which means that having a sales plan or business model during the first stage of the company has become crucial.

Sławosz Sawicki, director of coordination of strategic projects at Citi Handlowy
The main mistakes startups make when raising funds are:

1. **Short-term planning of funding – or only looking at the "here and now".** This phenomenon is, unfortunately, quite common. The main objective of the founders is to obtain their first round of financing and they are willing to give up for as much as 40% or more of their shares. They are also trying to get as much money as possible. The result is often that in subsequent rounds they end up with far fewer than 50% of the shares. Apart from possible weaker motivation of the founders, they are also reducing the attractiveness of their business. Many investors are reluctant to invest in startups where the founders have few shares. Therefore, you should take the least money for the least amount of shares in the first round. And these funds should lead to a big increase in the value of the company, so that you are able to raise more funds at a higher valuation in the next round.

2. **Poor business plan.** Founders often cannot construct business plans. It’s understandable, because Polish schools don’t teach this, and they should. In this situation, the VC fund helps them come up with the business plan. Because of this, the founders typically do not fully identify with it, and being guided by the plan and the numbers is very important. I think that you should learn how to make a business plan yourself or take a course. If you do, you’ll have full control over your business plan and it will be easier to use it in developing your business. It will definitely help you in planning for VC financing for your project and identify the capital that you need.

3. **Ignorance of the notion of "unit economics".** In order to successfully build a business plan and determine what financing you need from a VC, you should know your "unit economics". This means knowing how much your customers will pay and for how long and how often they will keep coming back. In other words, you should know their LTV (lifetime value). This will also determine how much you pay for the acquisition of each customer and help plan marketing expenses.
Migam, OORT, InPay, Woolet, Zortrax – these are well-known companies that decided to use social financing. These are only a few examples of startups that are aware of the financial, business and marketing benefits related to conducting such a campaign. There are several such platforms in Poland and investor awareness is high, and we will soon have systematic support, which will also create new opportunities to raise capital. The results of this year’s report once again confirm an upward trend.

The Polish crowdfunding sector has entered into the stable development phase. Although transaction volume is still relatively low, it is growing steadily and creating a lot of opportunities for the best founders. Entrepreneurs understand that these websites provide additional support for professionally planned and effectively executed campaigns. Acquiring capital to fund the first phase of development in the tens of thousands is not a problem, although it still requires professional preparation.

According to my projections, the amount of funding on only the two largest platforms reached 14.56 million PLN this year. That’s at least several hundred projects that will acquire the means and the opportunity to test their market fit, pricing assumptions and the most effective channels of customer acquisition.
This year sparked a discussion about unicorns and cockroaches overseas. "Investors are beginning to look at companies that are able to survive everything."

American “cockroaches” are able to adapt to a changing market, including by focusing on generating regular income and conducting sales from their inception. How’s it look in Poland?

This year’s Polish Startup Report 2016 tries to answer the question of the business effectiveness of Polish startups, examining the situation of these companies in terms of revenues. The report indicates that 42% of startups generate regular income from their main product. This is not synonymous of course with a very successful startup, however, it means that the project has passed the key hurdle, which is to attract customers and start selling. And it is the startup’s first clash with the reality of the market, where exiting it in one piece is a condition of survival, as well as the opportunity to obtain financing for development.

Compared to the Report from last year, we observed a slight increase in the involvement of venture capital in startups. The percentage of venture capital, however, is still too small to be able to talk about the dynamic growth of the entire startup ecosystem in Poland.

Nearly 60% of startups intend to apply for funding from Venture Capital funds. Add to that the previously mentioned 42% of respondents that are already selling and have revenues, and you can count on the fact that over the next 2–3 years, the involvement of VCs in financing startups will grow. It is this diversity of possibilities for raising development capital – from EU grants, through venture capital and business angels to crowdfunding – that is building an ecosystem in which startups will be able to find what’s best for them.
Hiring

The first part of the analysis of startup employment concerns workers; the study adopted a broad definition of the term as that of a person that is regularly collaborating and is remunerated, regardless of the legal form of this cooperation.

The majority of the companies surveyed (59%) were micro-enterprises, i.e. companies employing up to 10 people. Other entities were more or less equally divided (approx. 20%) into those that are over 10 people, and those that do not employ anyone.

The key question in the context of employment is how much the startups increased their number of employees. A total of 83% of the surveyed companies increased their number of employees in the past six months, mostly by 1–3 people, while 6% of businesses hired more than 10 new people in the past six months. The data show very clearly that the latter are mature startups in the scaling phase, which in this industry especially results in increased demand for labor.
As we are treating the concept of an "employee" wider than the Labor Code, we decided in this year's survey to test the popularity of the traditional form of employment. Among the startups with employees, almost half of the respondents (46%) do not use employment contracts, but only other legal forms (we did not ask which ones). On the other hand, 12% of respondents declared that all of their employees are employed under employment contracts. Other entities use mixed forms of employment.

Almost every fourth startup (23%) employs foreigners, and the vast majority of them operate abroad, especially those that earn 90–100% of their revenues abroad. In a word, foreigners work at startups that export their services.

Based on our research, we can therefore say that startups create jobs. At a conservative estimate, the average surveyed startup employs an average of 6–8 persons (as partners or employees). The dynamics of employment growth are not high, however, but there exist valuable jobs for the best-qualified staff. There is also a clear relationship between financing from external sources and the creation of new jobs at startups.
Founders

Two-thirds of the studied startups had one or two founders at the beginning of their existence, and only 15% had more than three. When asked about the current situation, in this regard the startups showed a flexible structure, because there is a clear trend in which the number of shareholders in the company increases with time – this was the case in every third startup. This is a natural situation, given the proliferation of shareholders when obtaining external financing.

In 26% of the studied cases the founders included at least one woman. 12% included someone with a PhD (i.e. at least a doctorate). More than half of the startups had an experienced founder that had launched another startup in the past.

The fact that every fourth startup has a woman among its founders is good news, contrary to appearances, because in other sectors of the economy women are even less visible. Research shows that women constitute less than 14% of management and supervisory boards of companies listed on the main market of the Stock Exchange. And in the global startup industry there are even fewer women, because – at last count – only 7 of the 100 largest globally active VC funds include female partners.

Magdalena A. Olczak, founder of Female Founders Poland
In this year’s edition of the survey we wanted to learn more about the CEOs and founders behind the startups. Due to the variable and generally large number of founders and the fact that a founder is not always a CEO, a precise description of the group would have to take into account the situation of each startup separately, which in the context of our study was not feasible. The above figures therefore relate specifically to those who responded to the questionnaire and at the same time indicated that they are a founder and/or the CEO of a startup.

Almost all of the people in this group are 20–40, though the vast majority are in their 30s. Three out of four have a university degree, half in the area of technical or natural sciences (including computer science, electronics and mathematics), and the other half in the field of social sciences or humanities (including economics and law). Among the respondents with higher educations, 36% graduated with more than one specialization, and every fourth went on to post-graduate studies. Every sixth studied or graduated abroad.

To summarize, startups are employers, because they provide jobs not only to their founders, but also to their employees. They are also actively looking for new employees, who they willingly finance using funds raised from external investors. The founders and CEOs of startups are usually people in their 20s or 30s who are well educated and are willing to expand their qualifications.
It makes sense that there is little recruiting as a young startup. First, it should be clear that there is product-market fit. Then you can scale and recruit faster. It’s also about costs. For the first several months, ZnanyLekarz was a 10-person company. When we moved into a new office, we were afraid that we would will never fill the space.

Sometimes it’s the case that the need for a strong team is there from the very beginning. Without co-founders, the start would have been slower or not possible at all. In our case, we had four people apart from me. Each one was a whiz in their subject and got strong results. Besides complementing each other’s skills, for us it was important that we knew each other well and had worked together for a long time. We got good results and it was fun. It gave us more confidence.

Recruitment is very important to us. When we received our first funding we grew from 20 to 100 people in less than a year. Meanwhile, it’s very difficult to find great people on the market. It would seem that there are departments where it is easier to find people. That’s not the case. If the development of the company is to succeed, then you have to have a very good grasp on recruitment.

It was even more difficult with foreigners. We decided that we would search on services listing tutors and teachers of foreign languages. Some companies decide to open or move offices to another city in Europe when they encounter difficulties. We stayed because we like Poland. A huge plus is that when we merged with the company Doctoralia we also got an office in Barcelona and access to that market of candidates.

At the moment in DocPlanner + Doctoralia has almost 250 people. We have four offices in the world: Warsaw, Istanbul, Rome and Barcelona. This is probably not the end. We are trying to stay a startup, though it’s not easy. But the cool thing is that when you pass someone in the office, you can see the passion in their eyes. This means that people like it here and it gives me great satisfaction. We have some impact on their world.
We founded Pracuj.pl with a few friends, as is often the beginning of a startup. The founders were also the first full-time employees of the company. The fact that a large portion of startups do not hire using employment contracts may be due to the fact that the first employees are often also the co-owners of the company. They have to trust each other and be willing to spend the first few months working without remuneration. The time commitment for the development of a new business can really fluctuate. Thus, an employment contract that very narrowly defines the scope of the employee’s duties is probably less common in the initial phase of development of the company.

Looking at the history of Pracuj.pl, in the initial phase of development we focused on key areas and shared responsibilities for them. These were sales, marketing, product development, internet infrastructure and the area associated with publishing. For the first few months we exchanged functions, constantly discovering our strengths and weaknesses. Quite soon we discovered who was good at what. We worked towards improving our strengths, not fixing our weaknesses. I believe that in the first few months and even years of our organization we were successful because we just focused on our individual strengths.

It was very important for us that we agreed together to fully engage in the business and be patient before the business became profitable. We all started working on Pracuj.pl because we had a need for action, development, and creating a new reality. Each one of us wanted to create something, to give it their all, and only then did we expect profits. This attitude really helped. We relied on common values, such as entrepreneurship, respect and responsibility. Later in recruiting we began looking for and are still looking for people with a similar value system. We knew that we needed people with different skills, different characters and personalities, but with a similar approach to work. Thanks to this community of values bonds formed between employees, which later evolved into the organizational culture conducive to building engagement.

In the next phase of development we focused primarily on sales. We knew that even the best product won’t sell if the company lacks good salespeople. That’s why the slogan “start with selling” has accompanied us from our early days.

The Pracuj.pl data shows that companies employing up to 10 people, which include many startups, make up a large group of employers. About 20% of job advertisements on Pracuj.pl come from small businesses. They are mainly looking for salespeople and customer service representatives. There is also regularly growing demand for workers from these companies (approx. 14% more job offers compared to the previous year).
Among the startups surveyed, 47% were exporters. This matched the result from last year’s survey, in which every other startup on average sold its services abroad. Once again, about half of the exporters get more than 50% of their revenues from sales abroad.

Over 60% of exporters have had foreign sales since their inception, and fewer than 40% acquired foreign clients only after some time. So the vast majority of the surveyed exporters were aiming at foreign markets when forming their company, and can therefore be described as "born global" projects.
Among the surveyed exporters, every third treats foreign sales as a major source of their income (80–100% of their sales come from abroad). At the same time, 40% of exporting startups only get 20% or less of their sales from abroad. The first group includes the majority of mature startups, usually at the scaling stage, financed by foreign VC funds or seeking funding from them, having patents and employing more workers. As many as 90% of them are "born global", and the main target market for their services is the United States (60%).

The second group is mostly micro-enterprises in the middle stages of development, most of which boast a regular income with moderate levels of growth. These companies initially only operated domestically after launching. Once they began exporting, they most often targeted Europe.

This is all evidence of the polarization of exporting startups: the first, larger group exports a lot, and the second exports barely anything. The smallest group is that of exporters who sell about the same amount on domestic and foreign markets.
When asked about the main direction of exports, startups usually chose the European Union (54%), including the UK (14%) and Germany (9%). Every fourth exporter focuses its sales on the United States. Other export destinations are much less popular.
We also tested whether and what characteristics distinguish exporting startups from those that concentrate their sales domestically.

First of all, they have been on the market a bit longer: 58% were there in 2014 or earlier. In the group of non-exporters, it’s 41%. This translates to differences in the maturity of these groups: 1/3rd of exporters are in the first two stages of development, and 2/3rds are in the third and fourth stages. The case is the exact opposite in the group of non-exporting startups.

More than half of them achieve regular income (56%), while it’s only 28% for the group of “domestic” startups. Exporters also include a large group of those who achieve the highest growth rate of revenues (28% vs. 17%).

Exporters are twice as likely to be financed by national Venture Capital funds (27% vs. 13%) and can also count on foreign investors, who are almost absent in entities who do not sell outside of Poland. When asked about their needs, exporters choose “skilled workers” as often as financial support (half vs. 1/3rd in the group of non-exporters).

Exporters are also characterized by a much greater interest in industry meetings: up to 57% of them say they have participated, while it’s only 40% among non-exporters. Similarly, 44% say they use mentoring while only every third company focused on the domestic market has done so. Moreover, within only exporting companies, the most eager participants in mentoring and meetings willing industry are startups that have focused on the international market from the start. Going beyond the border apparently encourages startups to be more involved in networking activities. We don’t know if exporting is a result of these activities or if it causes them, but the relationship between these phenomena clearly exists. On the one hand, the exchange of knowledge and experience at such meetings can encourage founders to sell abroad, on the other, in an international startup environment such initiatives are welcome.

The biggest differences are in the area of employment: only 12% of the exporters did not employ anyone, and in the group of non-exporters it was one in three. In the group of exporters, 68% are micro-enterprises (including those with no employees), while up to 91% are in the opposite group. Every third exporter employs more than 10 people (only one in ten for non-exporters). These data allow the formulation of the thesis that export drives hiring in startups.

In addition, exporters are a group that hires foreigners; every third exporting startup does so vs. only 7.5% of entities operating locally.

Interestingly, there are no significant differences in the industries in which exporters operate or factors related to innovation, such as patents or collaboration with scientific institutions. This may suggest that a presence abroad is not associated with different, better, or more innovative products, but that very different factors determine a company’s success in foreign markets.
When two years ago Łukasz and I were heading to San Francisco to participate in the 500 Startups accelerator, I was convinced that we would build a dedicated product for the U.S. market and that we shouldn’t really mention our Polish roots.

We were terribly wrong. First of all, when we arrived we found that there were only positive associations with Poland – virtually everyone we spoke to mentioned Polish roots, a Polish friend from childhood, or an outstanding Polish programmer. We have a solid opinion abroad of being reliable specialists, so we should all take advantage of it.

Especially since the borders for online businesses exist only in our heads. The magic of the SaaS model is based on reducing distribution costs to zero, and entering a new market is not associated with costs in most cases. Therefore, instead of focusing on one market, we decided to offer the product globally and at present we have clients in dozens of countries. This is exactly the same product, we use the same sales strategy and we speak only in English with everyone.

There are 7 billion people in the world, so limiting yourself to a small, 40-million-person market is losing a great chance to gain thousands of customers around the world. It seems to me that some people that read the blogs of foreign companies think that they are on a completely different level. In fact, this is more marketing than actual competitive advantage, because companies like DocPlanner, Getresponse, LiveChat or UXPin are world leaders in their segments. We have a lot of superb products in Poland, and if we just focus on global sales, in three years there will be several dozen such companies.

Marvin Liao, a partner at 500 Startups, during a visit to Warsaw drew attention to the fact that we, Poles, must be more aggressive in promoting what we have. Customers from all over the world don’t show up on their own, you have to pound on their doors and windows, but it is impossible to build a large business otherwise. Without aggressive promotion we will never live to see the “Polish Skype.” We have a chance to form a brand as strong as Scandinavia’s – we’re only lacking the confidence and the active engagement of the clients.

If you have a SaaS product, you are already on the global market, because your product is available for anyone with internet access. By staying in Poland, 50% of companies simply do not use the potential of their product. To quote Ben Horowitz: “Markets that don’t exist don’t care how smart you are.”
There’s no doubt that the fact that more than one-third of startups in Poland base their sales mainly on exports testifies to the maturation of the industry. This process of entering foreign markets is made much easier today through technology and modern services. In the era of teleconferencing, instant payment and real-time marketing, distance has ceased to be relevant.

It’s natural that when a company is growing, it expands its teams and thus increases its demand (and appetite) for sales growth. By staying within a specific region, we limit the possibility of future expansion and run into geopolitical risks. In Kontakt.io we sold our technology globally from day one. Thus, for example, increased conflict in the Middle East will not cause total paralysis of our imports – and hence, sales for our exports. For us, the situation fortunately only means a change of priorities for the sales team and a transition to other regions.

For a company that derives most of its revenue from this part of the world, such a conflict could have very painful consequences. Every new market or region is a greater possibility and opportunity for development. In the light of the Report it is also very interesting that there are no significant differences in the industries in which exporters operate. This shows that with the right strategy, the determination of the founder and the right people on the team, any company has a good chance of being successful.

I would urge you to explore, to go beyond your business "comfort zone". From the point of view of macroeconomics, in the long term, it is very cost effective and can make the difference in the business’s to be or not-to-be.

Szymon Niemczura, co-founder and CEO of Kontakt.io
Innovation

Innovation in startups

Study of the level of innovation and the nature of research and development activities in enterprises is not an easy task, and startups are no exception. In this edition of the survey, we decided to analyze two key and, importantly, measurable indicators of levels of innovation: patent activity and collaboration with scientific research centers. We also asked startups to rate the innovativeness of their products.

Patents

The level of patent activity in general among Polish enterprises is very low compared to European and world leaders. About a thousand Polish enterprises request patents for their industrial property or that they acquire. It should be clearly stressed that the group of surveyed startups looks great against this background, especially when taking into account the small size of these entities. In addition, most of them apply for patents within the framework of international procedures. Among the respondents, 14% of startups, or one in seven, has a patent or a pending patent procedure in Poland (every third patent holder) or abroad (2/3rds of patents). Startups with patents are characterized by a shorter history on the market than others surveyed – more than half of them were founded no earlier than 2015 or have yet to register. Every other one characterizes its stage of development as "Solution-Product Fit", or a rather early level of development. Only one in five has regular revenue - but for those that have revenues, their growth in the last six months in 70% of cases exceeded 50%. Half of the patented startups export their products, mainly to the EU and the U.S.

Many of the responses and comments confirmed the fact that the main activity of these entities is to work on a product that is a source of innovation, market advantage and the core of their development. Almost 80% of them claim that their product is a total novelty on the market. Three out of four lead research and development activities or collaborate with a university, research laboratory or individual scientists.

Patenting startups are financed exclusively from their own funds less than the rest (36%). Every third has a domestic VC fund as an investor, and they are often financed by business angels or funding from the EU. In the near future, these entities intend to apply mainly for foreign VC funds and NCBiR and Horizon 2020 grants.

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Does the company have its own patents or is in the process of patent registration?

- **14%** Yes
- **86%** No

Startups with patents often participate in startup competitions, benefit from mentoring and attend networking events like Aula Poland. In addition to money, their indicated needs include mainly business contacts.

More than 3/4ths of these startups are micro-enterprises, but they are intensely employing, including foreigners. The founders of these startups include are a lot of people involved in science (27%).
Scientific collaboration

We asked startups about any collaborations that take place in the framework of their research and development. 42% of respondents declared such a collaboration. Every fourth startup works with a university, and a similar number work with an individual researcher. Every tenth surveyed startup has its own research laboratory.

A deeper analysis of collaboration with research and development centers indicates a regularity according to which the startups implement it with varying intensity depending on the challenges that they are currently facing. This activity is weak in the initial phase but significantly increases in the development phase, when the main task of the startup is product development and collaboration with the scientific partner that provides additional knowledge and/or staff. In the phase of intensive customer acquisition the importance of this cooperation falls, only to increase again during the expansion stage, especially in foreign markets. Then again is there a need for the further improvement of the underlying product as well as the establishment of professional R&D departments and/or laboratories being created in the companies.
Select the answer that best describes your product

- 53% We’re creating an entirely new product
- 43% We’re improving existing solutions
- 4% We’re copying existing solutions

Product innovation

Last year’s study confirmed that the product is the main vehicle of startup innovation. We kept the question asking for the startup’s self-evaluation in this regard. We asked startups to choose one of three specific levels of product innovation. More than half of the respondents said that their startup creates a completely new product, and 43% indicated that their innovation is an improvement of existing solutions. Only 4% of the companies said that they were simply copying other products or services. It should be emphasized that the question proposed strong wording for “copy”, which in the Polish language has a rather pejorative meaning that, as you can assume, did not encourage the selection of this option.

Additionally, some entities may not realize the imitative nature of their solutions because of their insufficient knowledge of the market.

At the same time, startups declaring “an entirely new product” also showed high levels of the other indicators of innovation: one in five have patents, up to half of them work with scientists, and nearly 20% of the founders are scientists. These responses can therefore be considered reliable.
The implementation of joint research and development projects by startups and researchers is one of the biggest challenges facing the ecosystem of startups in Poland in the EU financial perspective 2014–2020. Analyzing the current situation, we noticed that the biggest challenge for both parties is not just the sharing of intellectual property rights, but also establishing the rights of individual partners participating in joint projects. This has an impact on the distribution of profits from the use of the joint intellectual property and the ability to make decisions about the commercialization of the intellectual property. Collaboration with scientists leading to the creation of joint intellectual property entails the need to respect the rights of these partners, including their right to profit from the exploitation of these rights.

The results of the Startup Poland Foundation’s study also point to insufficient knowledge by startups on how to protect their inventions, as well as the benefits of obtaining such protection. On the other hand, this may be the result of a strategy for the protection of intellectual property. In some industries, especially in IT, patent protection does not provide real protection today. Obtaining a patent requires the disclosure of technology. Due to the nature of territorial patents, obtaining a wide range of security requires high costs and in the case of startup budgets it is a very high investment.
Innovation can exist anywhere. The very notion of "innovation" has been recently greatly devalued. It is therefore very gratifying that the Startup Poland Report emphasizes patenting and collaboration with scientific research centers. The low interest of Polish companies in applying for a patent is mainly due to barriers to the interface between science and business. I have noticed some recurring problems:

1. Differences in the perception of the value of technology.
2. Problems with the transfer of rights.
3. Developing solutions in research and development units that are often divorced from the needs of the market.
4. Too low of a TRL for business. Startups estimate the costs, time and risks associated with scaling technology.

Startups need innovation in order to compete effectively on the global market. However, developing valuable solutions often requires the use of well-equipped laboratories. The statutory money that scientific units receive could further be provided for research that responds to the real needs of Polish companies and startups.

The report shows that half of the patenting startups export their products, and we are talking about projects at the stage of Solution-Product-Fit, which is an early stage of development. This demonstrates that working with technologies that can be patented provides excellent conditions for taking a business beyond Polish borders. Many of the respondents claim that their product is a total novelty on the market. Certainly this will involve numerous failures by Polish startups, but on the other hand, unique products can find their niche, in which they can successfully develop. This also gives them a chance to change the existing rules on the market, which is associated with the high valuation of the startup and the acceleration of business development.

Almost half of the respondents declared collaboration with the scientific community, and 1 in 10 startups stated that they have their own laboratories. I've noticed a tendency for startups to become independent from research units. Thanks to the tax benefits some companies will prefer to conduct such tests at home. An additional argument for this are issues related to patenting solutions developed in scientific units, about which I wrote earlier. Every fifth respondent founder is a scientist. It's great news that scientists are more and more eager to transform their unique knowledge into products corresponding to real customer problems. I hope that this group will be even greater next year.
Startup map

Szczecin
- Pixel Legend
- Wspieram.to
- Tidiochat
- WellServed

Poznań
- Booklikes
- Qpony
- JakDojade
- Legimi
- IC Solutions
- Omni3D

Łódź
- Listonic

Wrocław
- Brand24
- Emerald
- Pixers
- LiveChat
- Techland
- PiLab

Gliwice
- Egzotech

Source: The map was created by regional ambassadors of Startup Poland
Tri-City
UXPin, VoiceLab, Everytap, Blast Lab, Quantum Lab

Olsztyn
Zortrax

Białystok
iTaxi

Warsaw
Audioteka, GoldenLine, Ifinity, Growbots, Neuroon, Showroom, Migam, Evenea, DreamJay, Risk Made in Warsaw, Social WiFi, MUSE, Saule Technologies, Codility

Krakow
Estimote, Kontakt.io, Duckie Deck, Azimo, Brainly, Eventory, Sher.ly, Husarion, MISBHV
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The Startup Poland Foundation represents a community of innovative entrepreneurs and is the voice of Polish startups. Its aim is to build awareness of the potential of startups among policymakers, politicians and local government representatives.

It focuses on identifying and eliminating barriers to the development of innovative companies in Poland and on supporting legislative efforts to build a startup ecosystem in Poland.