



# UK STARTUP ECOSYSTEM



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# ***UK Startup Ecosystem***

## ***Introduction***

It is fair to say that Tech entrepreneurship is favoured by the UK Government. Since the Coalition Government took an active interest in Tech via its endorsement of Tech City in East London in 2010, a steady stream of entrepreneur and investor-friendly policies have flowed from Westminster. Government announcements on areas like early stage seed investment, a commitment to open data, corporate tax rates and overall tax simplification were augmented by business-friendly regulatory support of innovative areas of finance and technology. All of these initiatives built upon an already favourable set of incentive programmes formed by governments on both sides of politics to create what has become, immigration aside, an extraordinarily pro-business climate both in action and spirit. Taken in their entirety, this range of Government policies and actions make the UK particularly attractive for entrepreneurs and investors, particularly at seed stage.

In the last few years, the UK (and especially London) has become a breakout area of innovation in finance. In a range of different areas, startups have been encouraged to take aim at incumbents in an attempt to shake up the system. Examples like TransferWise in forex, Nutmeg in personal wealth management, Crowdcube and Seedrs in equity crowdfunding, and Zopa and Funding Circle in debt crowdfunding are just a few of the companies who have pursued innovative businesses with the encouragement of a benevolent approach to regulation. Indeed the current government has begun making positive noises about innovations such as Bitcoin, sitting at the very edge of financial innovation. The government's regulatory approach to finance is indicative of its desire to push innovation, business and trade in an effort to encourage economic growth. The only discordant note is the self-defeating approach to immigration. For VCs this provides an opportunity to invest in areas incentivised by government activity; it also signals that government will carefully consider proposals about how to gain competitive advantage in new areas of opportunity. The objective for VCs then is to identify opportunities that may be further enhanced by aspects of policy involvement to develop effective cases for government involvement.

Businesses of all kinds have long recognised the value of Britain's geography, the proximity to Europe, language, a central location within the world's timezones, and historic connections to centres of trade and innovation are unmatched. The venture industry is no different in recognising this value but the greatest opportunities will only continue to develop; as capital, labour and innovation become more globalised, the UK will become a gateway to these opportunities in the same way it has long been a gateway for global finance. The opportunity for VCs in the UK is to not only source deals on their own, but to become the syndicate partners of choice for a range of globally dispersed businesses.

## ***The London Start-up Ecosystem***

While not as large as the tech startup capitals in the USA, London has a burgeoning entrepreneurial eco-system that leads the European Market, larger than Amsterdam or Berlin. The city supports a culture of creativity and innovation that allows new businesses to be born and to flourish, and creates opportunities for individuals to grow and develop into game-changers and industry leaders. With fierce competition to lead development between different areas in the city, a plethora of co-working spaces, accelerators and incubators, and a fast-paced culture that combines social time with learning and networking opportunities, London has a lot to offer potential startups and their employees. However, the amount of options available can be confusing and overwhelming.

*London is ranked sixth globally and first in the EU .*

	Ranking	Performance	Funding	Market Reach	Talent	Startup Exp.	Growth Index
Silicon Valley	1 ◀	1	1	4	1	1	2.1
New York City	2 ▲ 3	2	2	1	9	4	1.8
Los Angeles	3 ◀	4	4	2	10	5	1.8
Boston	4 ▲ 2	3	3	7	12	7	2.7
Tel Aviv	5 ▼ 3	6	5	13	3	6	2.9
London	6 ▲ 1	5	10	3	7	13	3.3
Chicago	7 ▲ 3	8	12	5	11	14	2.8
Seattle	8 ▼ 4	12	11	12	4	3	2.1
Berlin	9 ▲ 6	7	8	19	8	8	10
Singapore	10 ▲ 7	11	9	9	20	9	1.9
Paris	11 ◀	13	13	6	16	15	1.3
Sao Paulo	12 ▲ 1	9	7	11	19	19	3.5
Moscow	13 ▲ 1	17	15	8	2	20	1.0
Austin	14 NEW	16	14	18	5	2	1.9
Bangalore	15 ▲ 4	10	6	20	17	12	4.9
Sydney	16 ▲ 4	20	16	17	6	10	1.1
Toronto	17 ▼ 9	14	18	14	15	18	1.3
Vancouver	18 ▼ 9	18	19	15	14	11	1.2
Amsterdam	19 NEW	15	20	10	18	16	3.0
Montreal	20 NEW	19	17	16	13	17	1.5

Source: <http://startup-ecosystem.compass.co/ser2015/>

### **London Startups in Numbers:**

4000+ Startups

70+ Coworking spaces

251,590 digital jobs, expected to increase by 46,000 in the next ten years

36+ startup incubators and accelerators, including Europe's largest FinTech incubator – Level 39- and Pi Labs, Europe's First Property Tech accelerator

£98 million in VC financing in the first 6 months of 2016

### **London Startup Hubs:**

The Silicon Roundabout – Shoreditch/Moorgate

Camden & Kentish Town

Kings Cross & Euston (Internet of Things, Digital Media, Data)

Canary Wharf (FinTech)

Olympic Village (HereEast – new tech/innovation hub to be completed 2016)

Croydon (fastest growing digital hub – Software Development and Creative Media)

### **Co-working Spaces:**

WeWork

The Office Group

Google Campus

Impact Hub

Interchange

The Cube

Rainmaking Loft

Tech Hub

Runway East

The Green House N76

### **List of Accelerators and incubators in London:**

#### [Seedcamp](#)

The Europe's leading pre-seed and seed stage investment fund for start-ups.

#### [Tech Stars](#)

A mentorship-driven seed stage investment that runs once a year in London. It's a three-week programme of intensive mentorship.

#### [Entrepreneur First](#)

A programme created to support the first 100 days of a start-up's life through an intensive seven-month mentorship.

#### [Bethnal Green Ventures](#)

An accelerator three-month program for start-ups that want to create sustainable social innovations.

#### [BBC Worldwide Labs](#)

It's a programme that supports innovative digital media companies and includes six start-ups each year to become the part of BBC ecosystem.

#### [Firestart](#)

Firestart helps start-ups by providing seed-stage capital to accelerate success.

### [Founder Institute](#)

Founder Institute offers a four-month entrepreneur training and start-up launch programme focusing on practical business-building skills, assignments and training course.

### [JLAB](#)

A business incubator that offers investment, mentorship, workshops, office space and access to proprietary technology to start-ups that focus on knowledge, retail experience, IoT, and more.

### [Innovation Warehouse](#)

It's London's community for entrepreneurs, which offers support in mentoring, training sessions, investment (angel network), co-working, and everything that supports the high-growth business.

### [Level39](#)

Level39 offers growth mentoring and office space for finance, retail and future cities technology start-ups.

### [Pearson Catalyst for Education](#)

A three-month programme that supports start-ups focused on learning by developing pilot programmes and providing resources from experts and industry leaders.

### [Microsoft Ventures](#)

It's a three-month programme created to help early stage start-ups that work in cloud, mobile and internet. The programme provides training, top-quality mentorship and free tools.

### [Digital Greenwich](#)

The Accelerator programme gives business support to digital SMEs who are working on innovative products in the digital home, health, transport, energy and digital home.

### [EcoMachines Incubator](#)

A London-based hardware start-up accelerator focused on supporting hardware start-ups that are working on problems with water, energy efficiency, transport, waste, smart cities, and materials and industrial tech. The program includes seed investments and mentoring.

### [Red Bull Amplifier](#)

It's a project designed to find and help the growth of the most promising new music start-ups through a creative partnership.

### [Accelerator London](#)

A business incubator that offers support, training, resources and network to start-ups working in information and communication technologies and multimedia.

### [The London City Incubator](#)

LCI focuses on helping start-ups in digital media, clean technology and medical devices find investment.

### [The Young Foundation](#)

The Accelerator, a four-month programme that supports start-ups in health, education and housing, provides expert tutoring, business support and social investment.

[Oxygen Accelerator](#) (also in Birmingham)

Oxygen Accelerator offers a 13-week programme that provides investment, mentoring, and access to a network of start-ups investors and advisors.

[Wayra](#)

Wayra is Telefonica's accelerator that offers funding, mentoring, office space, networking, and business partnership.

[SeedCloud](#)

SeedCloud focuses on start-ups based around cloud technology, big data, collaboration technologies, enterprise messaging and content management. It supports start-ups through technologies, and strategic and market advice.

[The Imperial Incubator](#)

The Incubator provides office and laboratory space for early stage start-ups.

[Connect London](#)

Connect London provides management team, and assistance in research and prototyping as well as Government backed start-up loans.

Other UK and Ireland

[Entrepreneurs for the Future](#) Birmingham

[C4DI](#) Hull

[Ignite100](#) Newcastle

[Beta Foundry](#) Oxford

[dotforge](#) Sheffield

[Accelerate Cambridge](#) Cambridge

[DCU Ryan Academy's Propeller Venture Accelerator](#) Ireland

[NDRC Launchpad](#) Ireland

### **Innovation Cluster in London:**

East London Tech City (also known as **Tech City**, formerly known as **Silicon Roundabout**) is a technology cluster located in Central and East London. It broadly occupies the part of London's East End between Old Street (the boundary of Central and East London) and the Queen Elizabeth Olympic Park in Stratford, with its locus in the Shoreditch area. It is the third-largest technology startup cluster in the world after San Francisco and New York City.

The cluster of web businesses initially developed without any government backing in and around the Old Street Roundabout (on the boundary of Central and East London). This had been a relatively run

down area, north of the City of London, and has historically had much lower rents. Companies were encouraged into the area by the low rents after the 2008-2009 recession. There had been many architectural firms in the area that closed around 2009, further suppressing rents. Ironically the area around Old Street was not served back in 2008-2009 by fibre optic cable, but only a few hundred metres away, where rents were much higher in the City of London, an extensive fibre optic cable infrastructure was already in place.

Later, as the cluster developed, there was more support and encouragement by both local and national government, with the goal of creating a cluster comparable to Silicon Valley in the United States. Cisco, Facebook, Google, Intel and McKinsey & Company are among the companies that have invested in the area. City University London, London Metropolitan University, Imperial College London, Loughborough University and University College London are academic partners in projects based in the cluster.

### ***The UK tech scene is not only London***

We hear on a daily basis how 'Silicon Roundabout' and the London technology sector are revitalising the UK economy. However, government quango Tech City UK has changed its focus from London to the UK as a whole. While London will continue to prosper for some time, what are the other areas that are building momentum? Which region is the challenger for top UK tech cluster?

Here are five examples of cities and regions paving the way for a UK-wide tech cluster, including info on some of the startups that are rising to the top in each area.

#### **1. Manchester**

The UK is a unique in its economic landscape, with no real 'second city' to speak of. However, if anyone could lay claim to being London's growing sibling, Manchester would certainly be it.

The city boasts a £46 billion economy and its recent Media City development saw £1.1 billion added to this figure. The reason it is flying high on our list is that the technology and communications sector was responsible for £1.9 billion in 13/14, making it the highest GVA outside of London for technology, employing over 30,000 workers in the digital space.

Notable startups

Fatsoma - an online ticketing solution, Nifty Drives - expandable storage that fits neatly into your Mac, PharmaKure - pharmaceutical company that identifies new uses for existing drugs, Capsule - A CRM solution for small business, Clowdy - a community for creatives to share content.

#### **2. Edinburgh**

At the time of writing Edinburgh can be included in a UK list, however this city could very soon become Scotland's foremost tech hub!

There are currently more than 100 technology startups in Edinburgh's 'hub', spurred on by SkyScanner's 2003 relocation to the city and subsequent growth. This tech success story has seen others follow suit and the city is home to TechCube - an incubator specialising in the growth and development of early stage startups through community and mentoring.

Technical, communication and information jobs contribute a respectable £500 million to the city's economy by GVA for 13/14.

Notable startups



Skyscanner - Flight, hotel and car hire comparison site, MiiCard - an online identify verification startup, FreeAgent - a simplified accountancy software.

### **3. Cambridge**

Cambridge has over 1400 companies employing 53,000 people. Twinned with one of the world's greatest universities it is clear to see why this city is leading the way in the recovery of the UK economy and is tipped to be one of the biggest contenders to London's tech reign.

At a recent tech event, a Cambridge graduate who has since gone on to found his own startup visibly recoiled when I suggested Cambridge was second to London. There is a perception that innovation in technology has always come from Cambridge, and with companies such as ARM providing the processors behind the majority of mobile devices across the globe it is easy to see why.

In a 2012 report by Centre for Cities - the think tank found that Cambridge had a lower unemployment rate than even London, with the technology industry playing a large part in that.

Notable startups

Crowdsurfer- an alternative finance search engine, Eight19 - producer of flexible solar panels, RaspberryPi - a credit card sized computer for education, Darktrace - a cyber-security threat detection technology provider.

### **4. Newcastle**

The North East in general is becoming known for the development of software startups with some significant successes already in place and the potential for thousands more. Newcastle sits at the centre of this ecosystem founding and headquartering some of the North East's greatest startup assets. Arguably the largest of these is Sage, the accounting behemoth that powers huge swathes of online retail and still holds its headquarters in Newcastle.

The city has an attitude that encourages technology, running over 50 coding clubs that are attended by nearly 3000 people a month at the time of writing.

The economy of Newcastle suffered terribly during the economic downturn, however recent statistics show that the city is powering its way out with over 200 jobs created in the last year from new entrants to the city.

Notable startups

Palringo - a group messaging platform, SoPost - a customer activation and loyalty platform, Playlists.net - a music discovery tool, Recite Me - an accessibility platform for visually impaired people.

### **5. Bristol**

While Bristol appears at number five on the Techbritain list, the city boasts connections to some of the biggest names in technology. These are listed at the end of this section, so I won't repeat them here, but it is obvious that Bristol (and nearby Bath) have a big part to play in the UK's tech boom.

Management consulting firm McKinsey & Co recently noted the city as being "globally significant" - an accolade they are sure to live up to. Bristol has always had associations with technology, having a vibrant microelectronics industry and has become the UK base for tech giant HP.

Recently, however, due partly to the development of the Bristol and Bath Science Park and to the SETsquared partnership between the two cities' universities, as well as high speed data connection availability, the region has seen a number of fast growth startups emerge.

Notable startups

SETsquared - a partnership between two universities that aims to accelerate business growth, SecondSync - a social media analytics tool recently acquired by Twitter, Brightpearl- a business management tool.

### ***Major Events:***

**Digital unBound London**

<http://unbound.evolero.com/unbound-digital-london>

**Disrupt London (Tech Crunch)**

<http://techcrunch.com/event-info/disrupt-london-2015/>

**Millennial 20/20 London (Accenture)**

<http://millennial20-20.com/index.php>

**Web Summit**

<https://websummit.net/>

**London Technology Week**

<http://londontechnologyweek.co.uk/>

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