

COVER STORY





LUXEMBOURG

DESTINATION STARTUP NATION

When we think of the ideal ecosystems in which startups could germinate and thrive, Silicon Valley, or perhaps Tel Aviv and London come first to mind. Even though these places have favourable environments for the propagation of young shoots, Luxembourg has no need to envy these fertile soils and intends to mobilise its resources to attain the highest of ambitions.

Text: Marie-Hélène Trouillez

Innovation is bubbling in Luxembourg. From the creation of high-tech startups to young innovative seedlings, projects are sprouting up everywhere. In just a few years, Luxembourg has created a very favourable environment in which to create microstructures or startups. With the launch of the House of Entrepreneurship, the Luxembourg House of Financial Technology (LHoFT), and more recently the House of Startups, the

growth of nurseries, incubators, accelerators, co-working spaces and other innovations, as well as the introduction of new company structures (simplified S.à.r.l, company with societal impact in Luxembourg), and financing facilities, there is no shortage of opportunities for new businesses to launch themselves. Between 2004 and 2014, the rate of business startups in Luxembourg grew from 9.1% to 9.7%, still below that of the top European performers, the United Kingdom (14%), and Denmark (11%), but comparable to France (9.9%), and superior to Germany (7%) and Belgium (5%). According to the Global Entrepreneurship Monitor Luxembourg 2015/2016, conducted by STATEC, in the population aged 18-64, the overall proportion of new entrepreneurs increased again in 2015 to 10.2%. And, as Tom Baumert, CEO of the House of ▶



Plug & Play Tech Center

The Plug & Play Tech Center was set up by the government in 2011 in Silicon Valley, USA. This programme allows Luxembourg companies in the ICT sector to spend three months at the Plug & Play Tech Center incubator which hosts some 300 technology startups, and benefits from the Silicon Valley ecosystem. To participate, the Luxembourg startup must be innovative and active in one of the following ICT fields: Internet, software development, mobile or wireless applications, cloud, video games, etc. Requests should be addressed to Technoport, Luxinnovation or the Ministry of Economy. The latter contributes € 5,000 per company selected to cover the costs of transport and lodging. Four companies can take part in the programme per year.



01.

Entrepreneurship, one-stop shop (see Merkur September / October 2017, p.76) points out, “it is also important to note that 90% of these new entrepreneurs are entrepreneurs of opportunity. Only 9.7% of them started out of necessity, a very low rate compared to the European average of 22.4%”. Entrepreneurship in Luxembourg therefore seems to be well oriented. In 2016, no fewer than 400 startups had been identified by the Ministry of Economy. Has Luxembourg become an El Dorado for this new generation of emerging companies?

BY THE WAY, WHAT IS A STARTUP?

Is a startup a different kind of business from established companies? What are the criteria for designating an enterprise as a startup? The Oxford English Dictionary talks merely of a “newly established business” but if we look at the definition in Larousse, we find that it is a “young innovative company in the area of new technology”, suggesting an evolution of the meaning as the term moves into Europe encompassing the idea of a new company with the potential for rapid growth. Not all new companies fall into this category, even if their goal, like any business, is to be profitable and to make money. Indeed, it would be incongruous to describe a new neighbourhood bakery as a startup. Is it then rather a technology company? Or innovative? The terminology remains vague ... If it is not the legal status, a startup seems to be different in many ways from our traditional idea of a company, but from one commentator to another, perceptions vary significantly. For Steve Blank, a “serial entrepreneur” of Silicon

Valley, “A startup is a temporary organisation in search of a scalable, repeatable, profitable business model.” For Paul Graham, the founder of the biggest startup accelerator, Y Combinator, a startup is “A business made to have a growth of 5 to 7% per week”.

A startup therefore seems to be a pioneering company, which explores and develops business activities in a new market, with the aim of bringing value to the customers of its products or services. Creating a startup means wagering that it is possible to turn a problem into an opportunity. Startups operate preferably, but not exclusively, in the sectors of technology or research and development. As the business activity is sometimes insufficient to meet the cash requirements, they often call for private or public investment capital to develop. Once the model is working and the startup is making money and knows how to continue making it, the product or service can be reproduced on a larger scale, in other locations, or by a third party. This “scalability” characterises a startup, which can be expected to grow exponentially in comparison to traditional enterprises.

A startup has its own DNA, a declared identity cultivated by its founder and assumed by his team. It’s “the startup spirit!” However, it is not just because a company seems “cool”, or that the employees are between 23 and 26 years old and come to work in sneakers and hoodies, or because there is a table football in the recreation room, that we are in the presence of a startup. Particular attention is paid to the informal and constant exchanges between employees, innovative meeting formats, projects developed in a climate of



02.

mutual trust, and initiatives to break routine and inspire creativity. This way of working makes it possible to increase the commitment, productivity, involvement and motivation of employees and represents an undeniable driver of growth. The values of startups are not limited to a particular way of organising work. Many are based on “noble” goals. This is the case for “green tech”, “biotech” and “clean tech” companies, bringing innovative technology to the heart of flourishing businesses in the medical, biodiversity and ecology sectors. Others wish to make life easier, such as the Luxembourg startup Igloo, which created BokkTaxi, a “taxi sharing” service, offering the scheduled or spontaneous sharing of taxis. A startup is, first of all, the story of a team working on the same project and carried along by the same values and passions. Steve Jobs said, “Innovation is what we choose because we have a burning passion for something”.

LUXEMBOURG, CHOSEN GROUND FOR BUSINESSES

According to a study by the Idea Foundation published in July 2017, regarding the reality for entrepreneurship and startups in the Grand Duchy, the number of newly created companies increased steadily between 2003 and 2014, where the proportion of innovative firms is 66%. In addition, Luxembourg’s proportion of “growing businesses” is within the EU average (close to 10%). “Growing businesses” are those with more than 10 employees and an average growth rate of more than 10% per year over a three-year period. “Gazelles” (firms less than 5 years old) are a subcategory of growing business. ▶

01. Created in 2012 by the Luxembourg government and the public bank, SNCI, Technoport is the national incubator in Luxembourg for innovative and technological companies. Technoport currently hosts more than 30 startups in Esch-Belval and Foetz.

02. In June 2016, Luxembourg acquired its first “open innovation” club, the Luxembourg Open Innovation Club (LOIC), set up by Nyuko and co-founded by Lux Future Lab, Luxinnovation and Technoport, in partnership with several major companies such as La Baloise, Siemens, ING, BIL and Enovos. Popularised in the United States in the 2000s, “open innovation” is a system of collaboration between large groups trying to give birth to innovation and startups seeking financial support to finalise their products and benefit from a sales network.



INTERVIEW
KARIN SCHINTGEN
Director, House of Startups

“
The Chamber of Commerce has made the interesting choice to create an incubator of incubators.
”

Why a House of Startups?

The Luxembourg ecosystem is changing rapidly. For a country like Luxembourg, which has the ambition to become a Startup Nation, but whose size and resources are limited, it seems essential to federate and obtain synergies. This is a role that naturally falls to the Chamber of Commerce as a representative of the economic actors of our country. These actors aspire to get closer to the modern technologies that will impact their daily lives. So, there is a “services” component in technology watch, and an “economic diversification” component that has never been more important than it is today. The Chamber of Commerce has made an interesting choice to create an incubator of incubators, bringing together very different sectors within the same house, notably the Luxembourg House of FinTech (LHoFT) and an incubator with a more diversified portfolio Luxembourg City Incubator.

How do you define a startup?

Borrowed from English, the term refers to the action of putting something into operation, contrary to a defined state, which reflects well the world of startups. The word also includes the notion of “gestation”. It is a project of a company in formation, where the “business model” is evolving

and finance is needed. What differentiates a startup from another company under construction is the degree of innovation of the product, process or platform. A startup is often considered a high-growth company, but in my experience, some of these companies retain the status of “startup” for a long time (5–7 years) with a “business model” that remains fragile.

Are the needs of startups considered in Luxembourg?

The institutional framework of the Ministry of Economy, Luxinnovation, the Chamber of Commerce, etc. is very effective. Many incubators host startups on favourable terms and provide support. The needs of startups are increasingly being addressed by major law firms, audit firms, consultants and the banking community. The European Investment Fund has put in place a guarantee instrument that should facilitate access to credit for startups ... A downside, however: in the absence of fiscal incentives such as our neighbours offer, private investment is in retreat.

The Banque Internationale à Luxembourg (BIL) offers staunch support to startups in Luxembourg and Europe through several initiatives, such as the "Startup Night", in partnership with Technoport, which offers a selection of startups the opportunity to put their work on show over a drink.



Photo: Anna Katina

If we go back, we see clearly that the industrial fabric of Luxembourg has changed unceasingly over the last twenty years. From being primarily a financial centre, the Grand Duchy has diversified over time to become a significant country of choice for businesses (Goodyear, ArcelorMittal, Delphi, SES, Amazon, RTL Group, etc.) Over the last few years, the country has experienced a major boost with the development of innovative technology companies in the fields of e-commerce, digital content, cloud computing, Big Data or electronic payments. It has high-level technological infrastructure, high-performance data centres and a fibre-optic network that ensures excellent international connectivity. The attractiveness of the country to startups from other countries is an essential element in the development of innovative business in Luxembourg, making it a “business-friendly” country which is increasingly cosmopolitan and multicultural. The quality of Luxembourg’s institutions (social dialogue, political stability, government effectiveness, non-confiscatory taxation, a robust legal framework that allows investor confidence, low levels of corruption and public debt, etc.) is an historic advantage favouring the creation of businesses insofar as it “guarantees” freedom of enterprise. In addition to this, there are the institutions dedicated to entrepreneurship (professional cham-

bers, support organisations, aid schemes, incubators, accelerators, clusters, funding bodies, etc.).

Thus, through the joint efforts of the public authorities and the private sector, Luxembourg can encourage the development of, or attract, many startups to the country, although, let’s be realistic: the small size of the country does not really allow it to claim developments of similar magnitude to London or Silicon Valley!

STRUCTURES TO LODGE AND SUPPORT BUSINESS IN LUXEMBOURG (CO-WORKING, INCUBATORS, ETC.)

Entrepreneurs, domestic or foreign, who wish to set up their business in Luxembourg can benefit from the expertise of specialised public agencies or the private initiatives of large companies, who are there to guide and advise throughout the technical and administrative steps that mark the launch of a startup.

Luxembourg has promoted an explosion of dedicated spaces, open spaces for innovation and other third-party sites that provide so many interfaces in the country to welcome these new dynamic companies and accelerate innovative ways of working. Nowadays, the provision of incubators for startups, acceleration structures or advice is overwhelming and startups are spoiled for choice when loo- ▶



INTERVIEW
JÉRÔME GRANDIER
 President and co-founder,
 transatlantic accelerator EAEC
 (European American
 Enterprise Council)

“ To put in place a smart exchange platform between Europe and the United States. ”

How was the EAEC born?

The EAEC, "European American Enterprise Council", is a group born fifteen years ago on the other side of the Atlantic in San Francisco. Originally created to welcome French entrepreneurs and launch them on the American market, the EAEC has since considerably broadened its horizons. The structuring of the group in Europe through a Luxembourg entity stems from the desire to set up a genuine platform for smart exchange between the two continents. This scheme ensures our handpicked startups a very advantageous geographic mobility.

What is EAEC's mission?

Our slogan: "Innovative Spirits, Brilliant Minds, We start them up!" perfectly summarises the purpose of the ECAA. Our team of entrepreneurs and financiers gives our service offering a very specific expertise in corporate development. With our portfolio of more than 120 VC (Venture Capital) funds in Europe and the United States, we have a strong fund-raising capacity and our senior advisors are experts in the search for European subsidies. We are in the habit of challenging our clients on their business model, their ownership and their ambitions in order that they can bring out the best of themselves.

What makes a successful entrepreneur?

There is no magic recipe, but like all good dishes, three ingredients remain essential: the network, access to money and a touch of luck. After 25 years of entrepreneurship, it is also important for the founder of a company to surround himself with good people who complement him. In this sense, it is important for an innovative mind not to waste energy on tasks that divert it from its potential for creativity. Our support enables it to entrust administrative, financial and legal tasks to one of the most reliable players in the current ecosystem. We also have a large co-working space in a mansion located in the centre of Luxembourg. Our investment with our startups is limitless, since we believe it is crucial to create a true relationship of trust and a healthy working base to reach the summit!



01.

king for support. The main challenge is to identify the bridgeheads of these networks to access these different structures as efficiently as possible.

Here is a non-exhaustive overview of the various support structures in Luxembourg for innovative entrepreneurs:

Entrepreneurs seeking advice and support can apply to several institutions such as the House of Entrepreneurship one-stop shop, which has a dual objective: promoting a spirit of entrepreneurship at national level and simplifying administrative procedures related to this type of initiative.

The House of Entrepreneurship, one-stop shop, has brought the Chamber of Commerce's existing Enterprise space and the Government's Single Services Kiosk for Businesses, together under one roof and opened the building to other actors involved in the creation and development of businesses in Luxembourg.

The Luxembourg House of Financial Technology (LHoFT), backed by the Chamber of Commerce, supports startups in the field of financial services and aims to develop the "fintech" community in the country. The LHoFT aims both to unite the various players already present in Luxembourg and to become the international point of contact for other "fintech" actors, to create a critical mass of companies active in "fintech", a vital condition for making the Grand Duchy is a go-to European hub. Through its work, the LHoFT also intends to develop public-

01. "Pirate Summit", the biggest series of competitions you could imagine for and by startups, stopped by in Luxembourg on 8 June 2016 at Carré Rotondes, in the presence of its co-founder, Till Orhmann, who came especially to Luxembourg. The event encompassed a round table, pitches from the nine selected startups and a networking session.

02. The "1,2,3 GO" course offers innovative projects a coach and visibility in the Greater Region. Nyuko, in collaboration with local relays in the Greater Region (Luxembourg, Lorraine, French-speaking Belgium, Saarland and Rhineland-Palatinate), is available in Luxembourg free of charge. The network has 15 years of experience and includes 500 experts from the Greater Region and has supported more than 1700 projects, some of which have been selected to receive awards from sponsors.



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private partnerships and involve the public authorities in the fields of education (eSkills), regulation (RegTech) and research.

In 2018, the House of Startups, a project initiated by the Chamber of Commerce, is expected to see the light of day and aims to house between 150 and 200 innovative startups from multiple sectors. The project has its roots in the policy of support for entrepreneurship, which is actively pursued by the Chamber of Commerce. Through this new space, the City of Luxembourg, through its involvement in the project, wishes to confirm its role as a dynamic and open capital, whilst encouraging the emergence of new business models in the Grand Duchy. While the House of Entrepreneurship is intended to provide information, awareness and practical support to entrepreneurs, with a broad focus, the House of Startups will aim to bring together several sector-based innovation incubators in one location (LHoFT, Nyuko, which offers three three-month programmes to entrepreneurs wishing to launch their startup, and Lux City Incubator) and to focus on coaching startups in their launch phase, including coaching, mentoring and ‘acceleration’.

The incubator “Technoport” welcomes innovative project promoters. It provides answers adapted to all types of needs: industrial halls, workshops and equipped offices. It can also offer temporary premises to foreign companies wishing to settle in Luxembourg. The Technoport offers two support programmes in

its Technoport Living Lab Luxembourg (TLLL): “Challenge”, which helps entrepreneurs to conduct feasibility studies or to develop a proof of concept, and “Launch & Grow” which supports the launch of a business and optimises its growth. To be admitted to the incubator, the project must be innovative and preferably geared towards technological development.

“Luxfuturelab” is the business incubator and training platform of BGL BNP Paribas. It provides access to attractive and flexible premises, training programmes, a consulting package, and support in finding financial solutions and national and international networks.

The “1535° Creative Hub Differdange” incubator provides an extra piece to the Luxembourg jigsaw puzzle, offering a work space for individuals and companies active in the creative industries. “6zero1”, Luxembourg’s leading social enterprise incubator, supports social entrepreneurs throughout the process of setting up and launching their societal impact company and hosts startups that help to solve social and societal problems in areas such as mobility, social housing, the aging of the population, the improvement of living conditions, disability and so on.

Other incubators have set up in particular sectors such as the “House of BioHealth”, which provides offices and laboratory space for companies involved in biotech, ICT and clean technologies, and “Neobuild”, a platform for startups active in the construction and eco-technology sectors. ▶



Business model canvas

The “business model” describes how the startup will actually make money. There are a variety of strategies and the “Business model canvas” devised by Alexander Osterwalder and Yves Pigneur, is perhaps the most complete approach. Presented as a 9-block structure, this visual and easily understood tool helps to synthesise the key elements of a business strategy, namely: customer segments, value proposed, company relationship with its customers, distribution channels, partners, business activities, resources, cost structure and revenue structure. The BMC is used to launch a business, a new product or service on the market or to reorient strategy, whatever the sector of business or the size of the market.

Led by Martin Guérin and based in Hollerich, Nyuko is a platform dedicated to innovation, ambition and entrepreneurial creativity. Resulting from a merger of Business Initiative asbl and Impactory, Nyuko is a place dedicated to co-working, which is based on three modes: Nyuko learning, a support and training programme; Nyuko sharing, a co-working space and Nyuko funding, a link between entrepreneurs and potential investors in the Greater Region.



Photo: Pierre Guersing

In November 2016, a new collaborative workspace for startups, “The Office”, entered the club of co-working spaces in Luxembourg. Located in the heart of the city of Luxembourg, “The Office” offers working areas in the different spaces of a redeveloped former industrial building. “Wishbox” another collaborative space, offers a friendly, modular and creative workplace. A creative platform located at the ArcelorMittal site in Dommeldange, “Bamhaus”, concentrates its work on the provision of co-working spaces as well as on the production of multimedia solutions for commercial and cultural purposes. Creative spirits can work on projects independently but also on “Bamhaus” projects by pooling their know-how.

Also, the end of 2016 saw the launch of the business incubator, “Paul Wurth In Cub”, supported by the eponymous industrial company. Located in the Hollerich district, the “Paul Wurth In Cub House” is the first structure of its kind for industry in the country. The young shoots housed there are active in areas such as 3D scanning, variable frequency vibration technology and tracking and traceability technologies, and can offer innovative solutions to industry. In recent weeks, there has been a new small entry into the club of business incubators. This is the “Tomorrow Street Innovation Center” set up by Vodafone and Technoport and intended to house technological companies that will benefit from the

infrastructures and the assorted services available to them. And more recently, the Innovation Hub Dudelange, the first incubator for young innovative and technological companies in Dudelange has just been set up. Selected according to a procedure involving “Luxinnovation”, the Technoport and the city of Dudelange, young companies will be accommodated there for a maximum of five years.

THE PROGRAMMES (ACCELERATION, ACCOMPANYING, PITCHING, COMPETITIONS, COMMUNITIES, ETC.)

If spaces dedicated to startups and other places are popping up throughout Luxembourg to encourage promising seeds, and reduce the isolation of entrepreneurs, initiatives to supervise and coach startups are not lacking either. The startup scene is very dynamic, projects are multiplying and the government, institutions and private actors clearly understand what is at stake in this new ecosystem.

Here is an overview of several initiatives to support startups. This summary is provided for information purposes only and is not intended to be exhaustive, but rather to highlight several events and competitions in a constantly evolving domain

Luxinnovation, the national agency for the promotion of innovation and research, and its Fit4Start program, created in October 2015, allows startups to produce functional prototypes of their products, ►



INTERVIEW
CHARLES-LOUIS MACHURON
 Entrepreneur and founder,
 Silicon Luxembourg

“ The most exciting part of making Luxembourg a true startup nation is yet to come ”

Why have you created a magazine dedicated to startups in Luxembourg?

To give visibility to startups and entrepreneurs who innovate in digital and innovative technologies. I wanted to show who these men and women behind the startups are. When I launched Silicon Luxembourg in October 2013, the ecosystem was in its infancy. Today, all media have a startup section! In 2016 I created a print version to reach a larger number of readers with a distribution within companies and the main haunts of startup creators. The magazine is now present in 25 countries: 65% in Luxembourg, 30% in Europe and 5% in the rest of the world! "Silicon Lorraine" has just been launched to show that it is necessary to create bridges with neighbouring ecosystems and to increase the visibility of Luxembourg.

What is a startup?

For me, a startup is a dynamic, agile and innovative young company with rapid growth potential and a digital, technological and/or research and development component. For 3 to 5 years, a startup develops its product or its services, validates its business model, recruits and generates turnover. If an entrepreneur creates a bakery or a network of bakeries, his business is rather traditional. If the same entrepreneur creates an application that locates the bakeries near a given place,

orders bread in real time, gets it delivered and offers an analytical tool to the bakers, then it's a startup. The digital and technological component is inevitable.

How is the startup ecosystem evolving?

This is very promising! Over the last four years, the Luxembourg ecosystem has seen a real boom. Dozens of incubators, accelerators, co-working spaces, fab labs and accompanying programs have emerged and more are coming. Many companies are investigating this market! And what about the number of events organised on themes targeting startups! There are about a hundred of them a year in Luxembourg! There is today a real dynamic ecosystem and a solid entrepreneurial fabric where – and this is the strength of Luxembourg – everyone knows each other. All the foundation stones of the "startup" building are laid and the most exciting part of making Luxembourg a true "Startup Nation" is yet to come.



Photo: Silicon Luxembourg

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test them out with customers and thus attract investors more easily. By participating in this four-month programme, the young shoots concerned can benefit from public funding of € 50,000, free accommodation in the Technoport national incubator, coaching and weekly follow-up by experts using the "lean startup" methodology and an end-of-programme event allowing them to "pitch" their project and raise funds. Admission to the Fit4Start programme is through a competition held twice a year. After an evaluation and selection by a jury, five companies are selected to participate in the programme.

With its "Digital Lëtzebuerg" initiative, launched in 2014, the Luxembourg government wants to strengthen and consolidate the country's position in the field of ICT. This follows a desire to diversify the economy while benefiting citizens and all socio-economic sectors. "Digital Lëtzebuerg" thus defines the new face of Luxembourg as a smart, modern, open, highly connected nation, ready for a digital society. The initiative is being implemented through the pooling of experts from the public, private and academic sectors on specific themes such as the development of telecommunications infrastructure, support for innovation and accessing finance for startups, innovation in services to the financial sector ("FinTech"), e-skills, e-government and the promotion of Luxembourg's advantages abroad.

01. On 15 July 2017, PITCH36 Luxembourg, an event organised by Capital On Stage (NL), brought together 15 startups and 5 investors for a reverse pitching session at Loyens & Loeff in Luxembourg. Each investor had five minutes to present what they were looking for from the startups. Among them, CVC Capital Partners (L), Mangrove Capital Partners (L), Expon Capital (L), The Factory (B) and LBAN (L). The founders of the startups then had one minute to present their project.

02. A startup must define a business model to estimate its costs and determine how it will generate its revenues. Innovation in the business model means finding innovative ways to create value and exploit it.



What is a unicorn?

The mythical equine-like unicorn with a frontal and twisted horn is a fabulous animal, a symbol of spiritual power and purity. In the field of startups and the digital economy, this poetic term, which refers to rarity, refers to startups reaching a valuation of at least a billion dollars, without being listed on the stock exchange. The term "unicorn" appeared in 2013 is attributed to Aileen Lee, an American analyst and investor. CB Insights, a consulting and analysis company, keeps a real-time count of these companies, including the VTC service Uber, Chinese phone manufacturer Xiaomi, the Airbnb renting site, the Snapchat photo sharing site and the infotainment site BuzzFeed. Not to mention Dropbox, SpaceX, Pinterest, Lyft, etc.

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The Luxembourg Business Angel Network asbl (LBAN), an initiative of the Chamber of Commerce, is a network of business angels focusing on entrepreneurial projects in the "seed" phase. The activities of the network focus not only on putting entrepreneurs in touch with potential investors but aims to create an "ecosystem" conducive to entrepreneurship in collaboration with local actors. LBAN is led by seasoned entrepreneurs and business angels bringing their experience to network development.

The Creative Young Entrepreneur Luxembourg (CYEL Award), organised by the Junior Chamber of Commerce of the Grand Duchy of Luxembourg (JCI Luxembourg) and supported by the Ministry of Economy, aims to promote new companies, new creative ideas and stimulate the local economy. JCI Luxembourg encourages innovative initiatives, led by young entrepreneurs, aged between 18 and 40, whose entrepreneurial activity is based in Luxembourg. Applications can showcase new concepts, ideas for development, new products or services, creative solutions to sensitive issues for the company. In addition, the members of the jury are chosen, according to the organisation, from "among the most influential people in Luxembourg".

Other initiatives are aimed at young people, such as the asbl "Jonk Entrepreneuren Luxembourg"

whose mission is to encourage the creativity and entrepreneurship of young people and to introduce them to professional life through projects organised at each level of education in Luxembourg. Created in 2005, Jonk Entrepreneuren Luxembourg has two main objectives: it explains to young people throughout their academic career that the status of being self-employed is a concrete alternative to salaried employment and tries to give them a taste for business, innovation, creation and taking initiatives. To achieve these objectives, the association raises young people's awareness of the economy and entrepreneurship and introduces them to projects organised at each level of education in Luxembourg (basic, secondary, higher).

"Silicon Luxembourg", a medium founded in October 2013 by Charles-Louis Machuron, focuses on news from startups with interviews, a calendar of events, a job section, etc. Its objective is to place the Luxembourgish startup ecosystem on the world stage and acquaint it with good practice from abroad.

In April 2016, a new service dedicated to future businesses came into being under the name of "Innohub". An alliance of three companies, Exxus (consulting in marketing strategy and innovation strategy), Ines Media (consulting in communication) and MindForest (consulting in change manage- ►

Founded in October 2016 by Gosia Kramer, a Polish woman who has been living in Luxembourg for ten years, The Office, a co-working space in the heart of Luxembourg, gives its members the opportunity to join a community of co-workers to create partnerships, create synergies, generate innovative ideas, and stimulate their business.



Photo: Emmanuel Claude / Focalize

ment), this economic interest grouping (EIG) aims to attract startups which have already reached a certain level of maturity, to facilitate their internationalisation from Luxembourg, taking advantage of the framework created by the government and the skills of the various Luxembourg players. Innohub intends, without taking a stake in the companies, to guarantee the validation of the concepts proposed by startups to potential Luxembourgish or foreign investors.

Women are not left behind with Women in Digital Empowerment (WIDE), an association specialising in the engagement, education and emancipation of women influential in the field of modern technologies. Its mission in Luxembourg is to promote the growth and promotion of entrepreneurial and innovative women in modern technologies where they are still largely underrepresented, through coding classes, workshops and networking sessions.

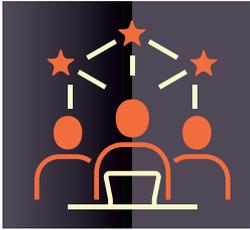
FUNDRAISING: THE OBSTACLE COURSE

As usual, the battlefield is money, which by definition, is lacking for startups which start with nothing apart from a “revolutionary” idea. Funding is a crucial step in the development and viability of a startup. And if Luxembourg is a good place to launch a startup, securing funds to develop and grow remains complicated. Raising initial startup capital seems to work well, but subsequent capital calls requiring several tens of thousands of euros remain difficult. In addition, startups are faced with other

problems such as real estate costs in Luxembourg, which push them to extend their stay in incubators. The local provision of developers, engineers or experts with very specific technical skills also remains insufficient.

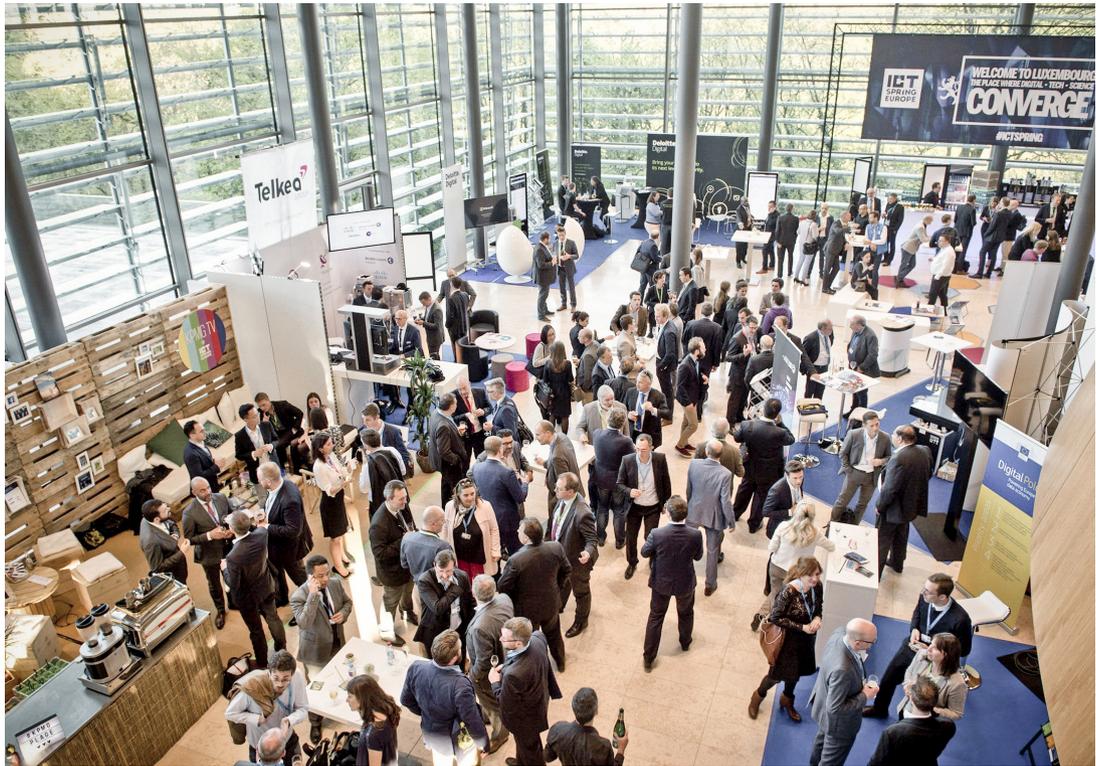
According to the EY “Investment Funds in Luxembourg” report of September 2016, of the total assets under management in June 2016 coming from collective funds in the Grand Duchy, only 29% were in Europe. The same report ranks Luxembourg in sixth place among the recipients of Luxembourgish investment. From the public sector, many incentives have been created but are limited to just giving advice without being able to provide financial support for innovation. Faced with this, Luxembourg needs to become more attractive.

In February 2016, a partnership between Nyuko and Banque Internationale à Luxembourg SA (BIL) was signed with the aim of providing startups with the tools they need to develop in Luxembourg. BIL offers its range of support and financing services to entrepreneurs in the Nyuko community and participates in the Nyuko learning programme to raise awareness of the different financing possibilities and to advise entrepreneurs when they should present their project to investors. This partnership complements BIL’s services to innovative business creators. Its support service “BIL Start” enables it to support young companies at all stages of their development and to ensure that they benefit from the various ►



Blockchain management

This new management method proposes a collaborative means of working, unlike a traditionally hierarchical and organised means. Originally, blockchain came from the technology Bitcoin used to trace and manage financial transactions. A blockchain is a fully machine-managed database and contains the history of the exchanges between its users since its creation. It is shared publicly or privately by its various users, without intermediaries, which allows each to check the validity of the chain. Applied to management, the idea is that blockchain replaces authority and each employee can freely propose projects and earn a level of "reputation" that gives him influence over his peers.



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framework programmes in which the bank is involved. It should also be noted that BIL was the first bank in Luxembourg to have signed the InnovFin guarantee agreement for innovative SMEs under the European Strategic Investment Fund (SIEF) in July 2015. As explained by Franck Hollerich, Relationship Manager in Corporate Banking at BIL: "InnovFin's philosophy is to reduce the share of risk borne by banks to increase loans to innovative companies, which are inherently riskier, and thus contribute to the development of the European economy. This arrangement covers bank loans up to 50%. To date, we have financed some thirty companies, with total loans of nearly 30 million euros."

One other step was taken towards the Luxembourg Startup Nation, with the creation, in April 2016, of a seed fund, the "Digital Tech Fund", launched in the framework of "Digital Lëtzebuerg", by the government and a group of private investors, including the BIL, to support the financing and development of startups active in the field of information and communication technologies (ICTs). The fund invests in promising innovative companies created less than 7 years ago and aims to facilitate the transfer of innovative technologies resulting from public research, in particular the Interdisciplinary Center for Security, Reliability and Trust (SnT) of the University of Luxembourg. The State's investment amounts to €5 million. The financial contribution of the other investors amounts to a total of 15.33 million euros, of which

3 million euros come from the National Credit and Investment Company (SNCI) and 1 million euros from the University of Luxembourg. In addition to the existing financing instruments and public support measures such as the Fit4Start program, the various aid schemes of the Ministry of Economy or the Luxembourg Future Fund, designed to boost innovation in the Grand Duchy, investment are making Luxembourg a welcoming place for startups and attracting new innovative businesses.

As for private initiatives, Mangrove Capital Partners, the venture capital company, which was, among others, behind the success of Skype and Job Today, continues to invest in the market.

LARGE CORPORATIONS AND STARTUPS MUST LEARN TO COLLABORATE

Today, it is no longer a case of the large eating the small, but the rapid eating the slow! This being so, established companies must continually transform and seek to collaborate with startups upsetting the established order. Wanting to be a "Startup Nation" should not overshadow the role of existing businesses, and must create an environment of profitable cooperation between old, big, small, and young companies. Established companies are encouraged to feed upon the startup ecosystem just as much as startups need so-called "classic" businesses to grow. "The startups are agile and innovative; established companies have solid customer bases and have mas-

Photos: Dominique Gaul



02.

tered regulatory constraints and financing,” says Pierre-Olivier Rotheval, Director of Marketing and Innovation at BIL.

A successful entrepreneurial strategy is thus not only the creation of businesses, but also the development of the companies already created and installed. The Luxembourg Open Innovation Club (LOIC), created in June 2016 under the impetus of Nyuko and in collaboration with Lux Future Lab, Technoport and Luxinnovation, encourages open innovation among big players and links established companies with startups. The initiative regularly brings together several startups operating in a given field and pitches them in front of a crowd of members and guests. The LOIC already has about 20 members, all of them big players established in Luxembourg in various fields of activity, and remains open to interested companies.

THE EUROPEAN COMMISSION BRINGS NEW MOMENTUM TO YOUNG ENTERPRISES

Whether in the United States, Israel, London or some parts of India, there are countless places in the world that offer startups an economic and legal framework to stimulate the creation and development of business. Europe does not lack innovative ideas and entrepreneurial spirit, but many new companies do not survive the critical phase of their first years of existence or they try their luck in a third country instead of taking advantage of the pool of 500 million potential customers in the Union. ▶

01. Organised by the Farvest Group, ICT Spring, an annual technology conference, hosts a range of international professionals over two days in Luxembourg. ICT Spring Europe brings together more than 5,000 decision-makers, investors, entrepreneurs and startups from more than 70 countries in the ICT, banking, aerospace, web, industry and marketing sectors.

02. To be published in January 2018: “The Startup Guide” in Luxembourg, published by Startup Everywhere, in collaboration with the Chamber of Commerce, will help you discover the places, startups and entrepreneurs who make Luxembourg’s ecosystem.



INTERVIEW

ALAIN RODERMANN
Cofondateur and Managing
Partner, Expon Capital



The digital tech fund invests between €200k and €500k per company.



What are the determining criteria for funding by the Digital Tech Fund?

The Digital Tech Fund (DTF) is a venture capital fund based on a public-private collaboration in the Luxembourg marketplace. Expon Capital oversees setting up the portfolio of startups through minority interests in their capital. The target companies must be digital, have been founded less than seven years ago, and have excellent growth prospects internationally. These startups must have a footprint in Luxembourg at the time of the investment. Some of them have been founded, others are already operating from other places in Europe, North America or Asia, and have decided to place part of their operations in the Grand Duchy. It goes without saying that the quality, the capacity to act and the ambition of the founders’ team are key elements that we consider in our decision-making process. A team led by an entrepreneur looking for venture capital financing will therefore have to convince our team of investors on the merits of their vision and their ability to materialise this vision. The Digital Tech Fund invests between € 200,000 and € 500,000 per company in round tables, which can be made up of institutional investors and business angels. Additional investments can be considered up to a total of € 1.6 million.

Is Luxembourg attractive to startups?

Without a doubt. Fast-growing foreign companies are considering basing their European expansion on multilingual sales teams in Luxembourg and developing their technology here. Government support and business subsidies are better than in most other European countries.

How will the funds be deployed?

The Digital Tech Fund has already invested in two companies, Itravel.de in Germany and Nektria in Spain. Both are ambitious to grow from their Luxembourg hub and thus be able to serve the European market. Expon Capital is constantly looking for investment opportunities both in Luxembourg and in foreign countries. The fund invests in three to four companies a year, but could eventually increase the pace with the strengthening of the Luxembourg entrepreneurial ecosystem.



The opening of the Tomorrow Street Innovation Center by the British mobile phone group Vodafone and Technoport on 12 September 2017. Based in Luxembourg, the innovation centre is intended to house technological companies that will benefit from the infrastructure and services at their disposal.

On this basis, the Commission and the European Investment Bank set up a pan-European fund for venture capital funds in 2017. This initiative for startups and “scale-ups” (expanding companies) aims to offer the many innovative European entrepreneurs every chance to become one of the largest companies on a global scale. From now on, the focus is on venture capital investment, insolvency legislation and taxation.

The EU provides key investment of up to € 400 million and fund managers need to raise three times this, or more, from private sources, creating a potential of at least €1.6 billion in venture capital funds. The fund complements the existing EU financing instruments such as the European Strategic Investment Fund (EFSI), the European Program for Small and Medium-sized Enterprises (COSME) and the Research and Development Financing Programme innovation of the EU, “Horizon 2020”. The Commission also allows honest entrepreneurs to benefit from a second chance without being penalised by the failure of previous entrepreneurial projects, releasing them from their debts after a

maximum period of three years. The Enterprise Europe Network (EEN) provides consultancy services specific to startups, through consultants specialising in business development, including financing opportunities, partnerships and access to cross-border public procurement markets.

AN AMBITIOUS LUXEMBOURGISH STARTUP ECOSYSTEM

Following the “nation branding” strategy, which aims to market Luxembourg by making it attractive in the eyes of investors seeking an environment conducive to business, the “Startup Nation” hopes to make Luxembourg fertile territory for young innovative shoots. Over the past few years, a dynamic and ambitious startup ecosystem has developed in Luxembourg, offering numerous support and assistance programmes for young innovative companies, as well as a wide range of public and private hosting infrastructure. The Startup Nation of Luxembourg is resolutely on the march and to parody a famous advertisement, everything shows that today everything is grand. ●