

2018

Startup Muster Annual Report



Foreword

Startups play a vital role in bringing new products and services to market, ultimately opening up export opportunities, creating jobs and delivering economic prosperity for all Australians.

Startup Muster is the largest survey on the Australian startup ecosystem, and this year's report paints an encouraging picture of the sector, as well as our technological capability more broadly.

The Coalition Government is committed to supporting the growth of startups. Our Entrepreneurs' Programme is assisting businesses to commercialise and export their products and services, and has contributed to a number of successes for innovative startups.

In addition, the Australian Landing Pads, led by Austrade, are providing our startups with a short-term base in global innovation hotspots to access networks and investment opportunities that help them to grow.

I recently visited the Australian Landing Pad in Singapore to engage with the latest cohort of Australian startups, and hear about the emerging opportunities for our businesses to expand into Asia.

I am pleased the Coalition Government also provided support for this year's National Startup Policy Hack. The event brought together 160 startup industry and government representatives in Brisbane, and provided an invaluable opportunity to discuss the key challenges facing Australian startups.



The 2018 Startup Muster report finds that artificial intelligence is the biggest startup industry in Australia, having grown from 14.5 per cent of startups in 2017 to 20.6 per cent of startups in 2018.

The Coalition Government wants to capitalise on the enormous opportunity of artificial intelligence, and we are investing about \$30 million over four years to strengthen Australia's capabilities in this area.

More broadly, the Coalition Government is investing \$2.4 billion in our nation's research, science and technology capabilities, and this will have a substantial flow-on effect for the startup sector.

Startup Muster was founded to draw attention to the progress, opportunities and challenges for Australia's startup ecosystem. Since 2014, its reports and the

quality data sets that underpin them have helped us to paint a clearer picture of the strengths and weaknesses of this growing sector.

I congratulate Startup Muster on developing its 2018 report and am confident that startups will continue to create new jobs for Australians and boost our position in the global marketplace.

**The Hon Karen Andrews MP
Minister for Industry, Science and Technology**



Message from Startup Muster

On behalf of the whole Startup Muster team, welcome to the fifth annual Startup Muster report.

We launched Startup Muster five years ago with a mission to measure and publish the progress, challenges and opportunities in the Australian startup ecosystem, in order to demonstrate and accelerate progress.

We couldn't be more proud of how far Startup Muster has come, and how much of our mission is being realised. We've grown from 975 participants in 2014 to 3,476 in 2018, setting a new record every year, and we think you'll be pleased with the increasing quality of how this data is presented.

Good data needs to be both surprising and actionable. We're confident the contents of this report will surprise many of you, and point towards areas where effort can and should be focused to improve our ecosystem.

We collected 178 different data points in 2018, almost all of which have been the result of an organisation wishing to understand a particular attribute in order to provide better support to startups. Obviously not every data point has been represented in this report, and we're happy to engage in deeper analysis at the request of startup supporters.

Startup Muster has been made possible by support from UTS, Atlassian, Google, the Department of Industry, Innovation and Science and MYOB. We look forward to adding to this incredible group of supporters for 2019.

The Startup Muster team:

Murray Hurps (chair, murray@startupmuster.com)
Monica Wulff (director, monica@startupmuster.com)
Kayla Medica (marketing)
Michael Kedzierski (technology)
Tim Paris (data)
Visual Metrics (report design)
Amit Shah (accounting)

Methodology

The Startup Muster 2018 online survey collection period for Australia was available to complete online via www.startupmuster.com from August 14th 2017 until August 13th of 2018, with particular promotion during the collection period from July 2nd 2018 to August 13th 2018, where 67% of our responses were received.

During this time the survey was available people to people engaged in a startup, people considering launching startups and businesses that provide support to startups. Supporters included, but were not limited to, accelerators, incubators, investors, mentors, educators, service providers, membership organisations, professional service providers and government.

Respondents who had previously taken part in the collection period for 2017 did not have to complete the entire survey again, instead they were taken through an update process where they verified all responses and updated any that no longer reflected their current situation. In total 140,259 answers were provided by 1,617 startup founders, 803 future startup founders and 1,056 supporters. These responses then underwent an exhaustive post survey validation and cleaning process, including manual review of each participant to ensure compliance with our definitions. The final statistical sample for this report consists of 777 verified startup founders, 321 future startup founders and 654 startup supporters.

The total response rate for each question varies as all the survey responses were not compulsory, free written text responses were allowed and the relevancy of the questions varied between participants. The report estimates are cross sectional in nature, meaning that all figures for a given year are based on a responding sample representative of the broader population in that year.

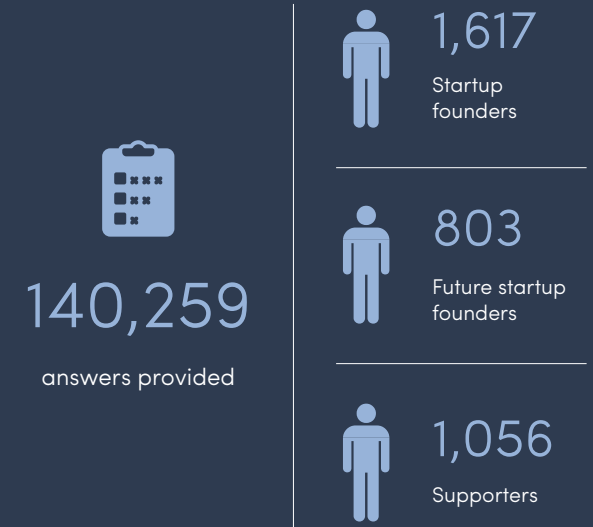
Promotion of the survey was conducted via direct email, social media channels Facebook, Twitter and LinkedIn, word of mouth through a sharing function built into the survey upon completion, promotion by startup support organisations via social media and their email newsletters and media.

Startup Muster defines a startup as an early stage business that has a large addressable market that utilises technology to capture that market quickly. It focuses on the elements of scale, speed, timing and technology which are commonly associated with startups.

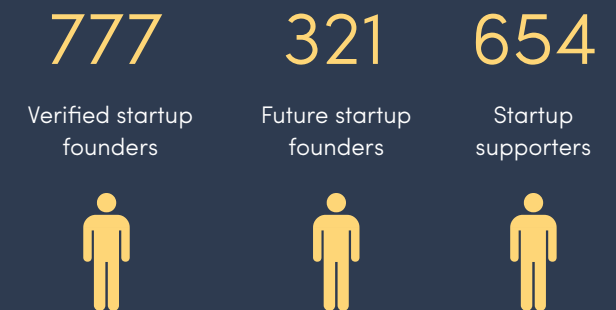
The population estimate was developed in partnership with Data61 using a catch and release method and 5 years of Startup Muster data. It is the first iteration which Startup Muster plans to build upon over time.

For detailed information on the treatment of data after submission, please contact info@startupmuster.com.

Total participation



Total participants in final validated dataset



How many startups are there in Australia?

For our fifth anniversary, Startup Muster has engaged Data61, world leaders in data science research, to create an estimate on the number of startups in Australia based on five years of Startup Muster data.

This number is by far the most common request we've received over the years, and we're pleased to finally present this estimate for the last four years below.

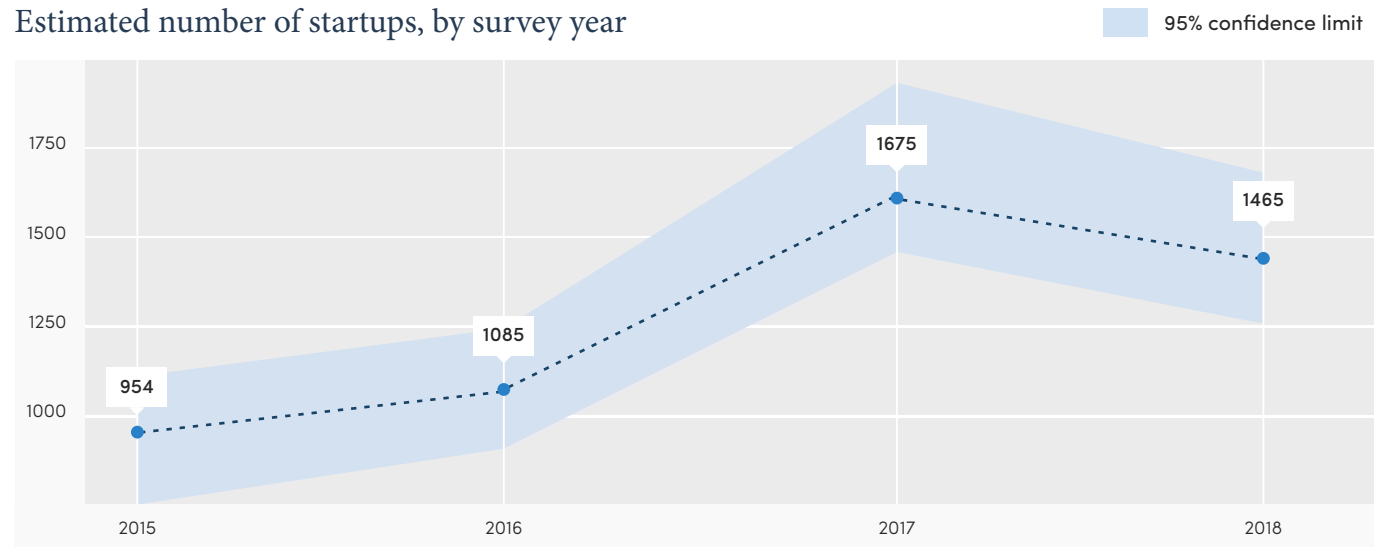
It's important to note that Startup Muster manually reviews each participant in our survey, and only accepts companies addressing a large market in a scalable way, which tends to remove a significant proportion of self-identified startups.

It's also important to note that a startup could be removed from our data either by its death, or by simply becoming too large to take part in our survey.

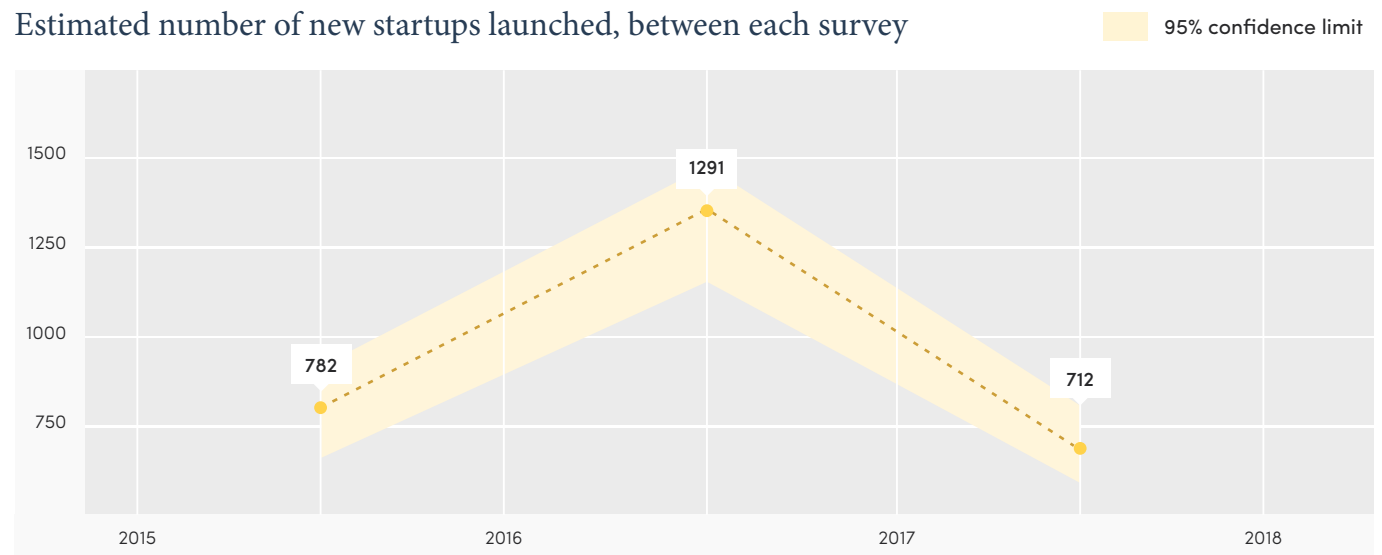
We expect this estimate will generate some vibrant conversations, and we look forward to continuing to track this estimate over time.

A description of the methodology used is available [here](#). We have been honoured to work with the incredible people at Data61 to make this happen.

Estimated number of startups, by survey year



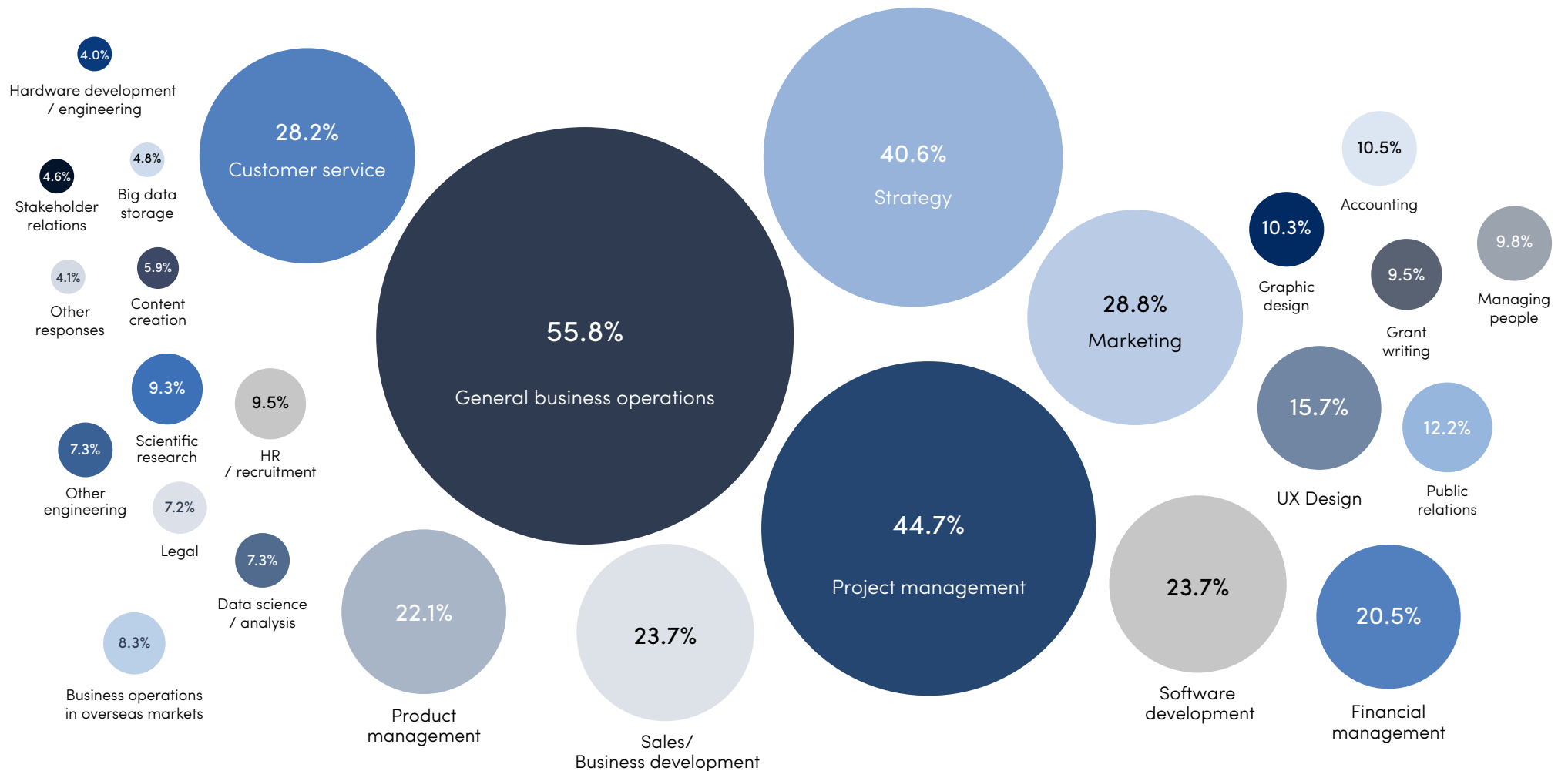
Estimated number of new startups launched, between each survey



Founder profile

Who is starting startups?

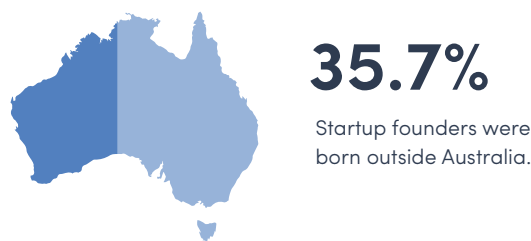
Skills founders consider themselves strong in



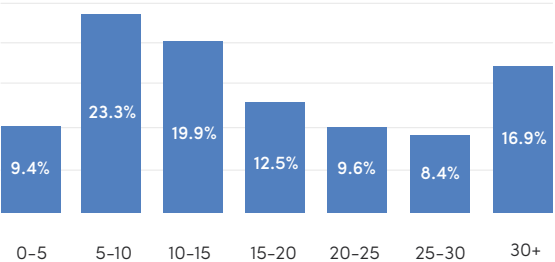
Founder profile

Who is starting startups?

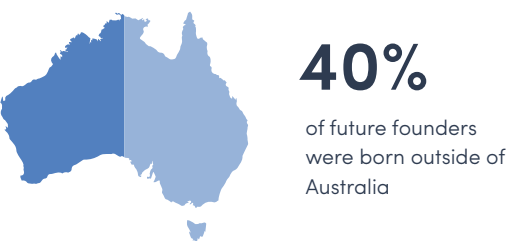
Where founders come from



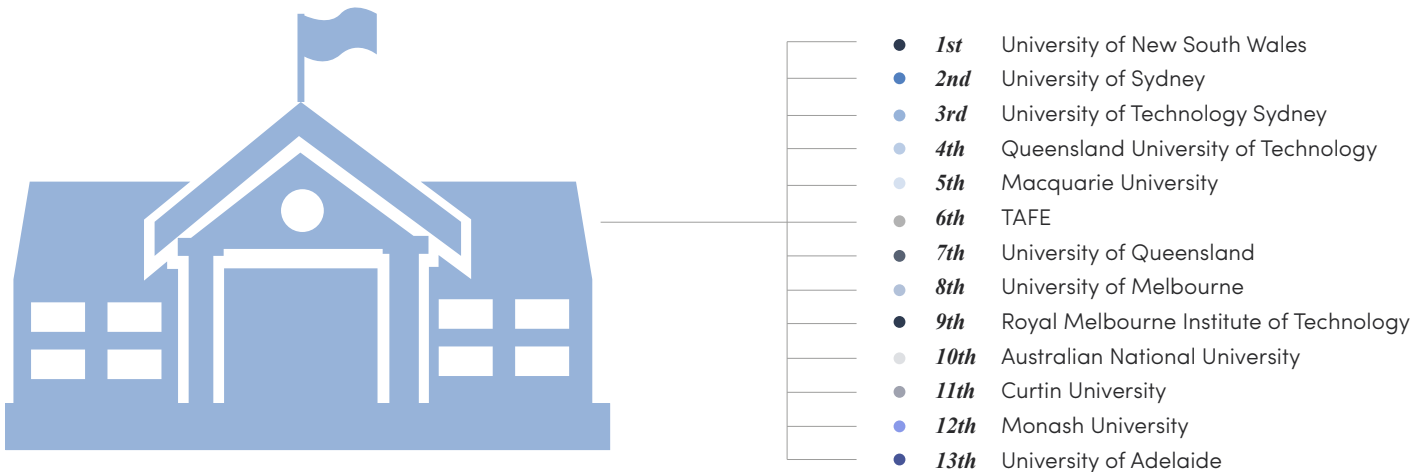
Years since moving to Australia



Where future founders come from



Most attended educational institutions



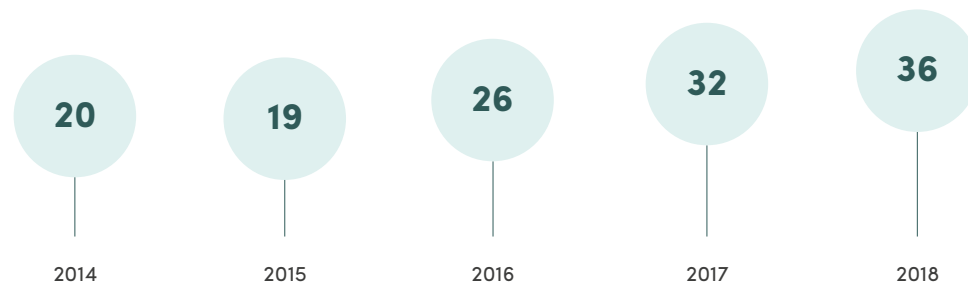
Future founders



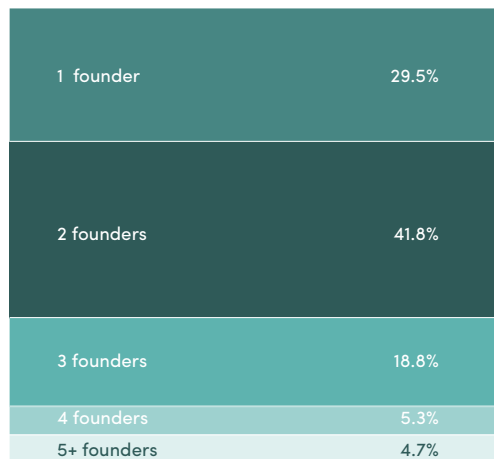
Founding team profile

Who and what was their experience?

Average age of startup by survey year (months)



Number of people in founding team



Startups with female founders



31.0%

Of startups have one or more women on the founding team

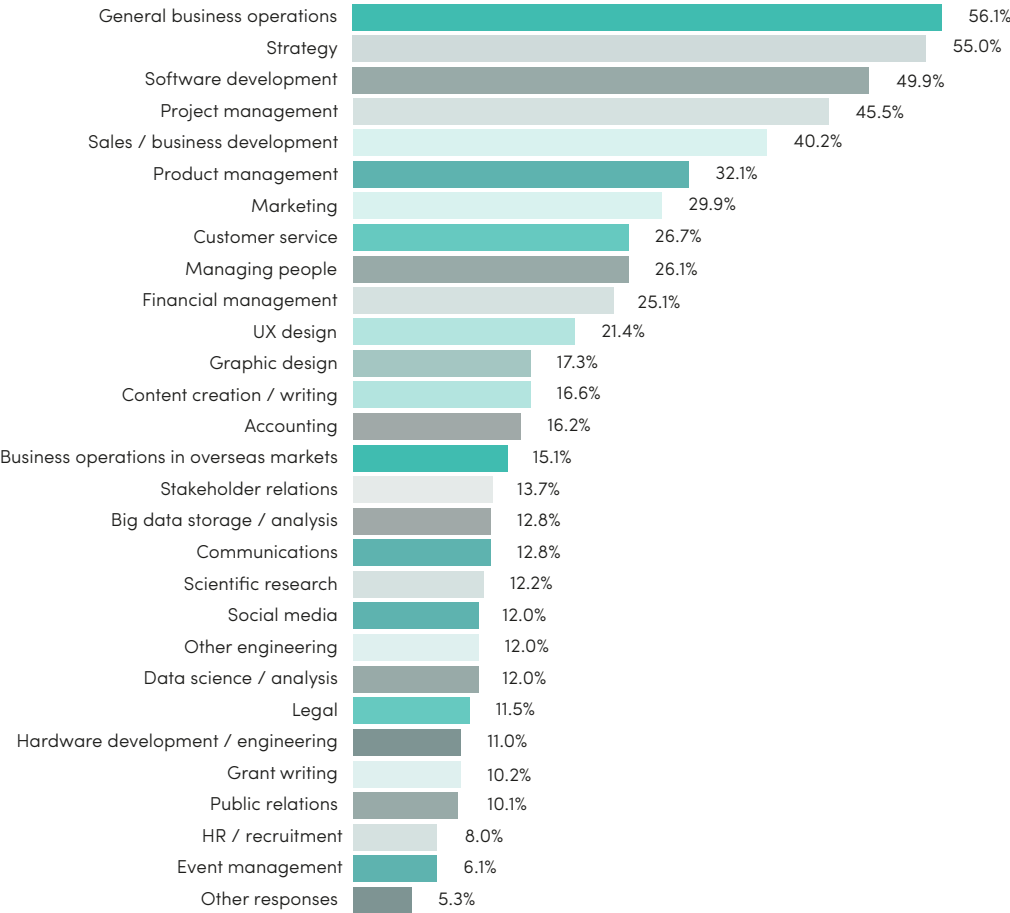
Events critical to founding a startup



Founding team profile

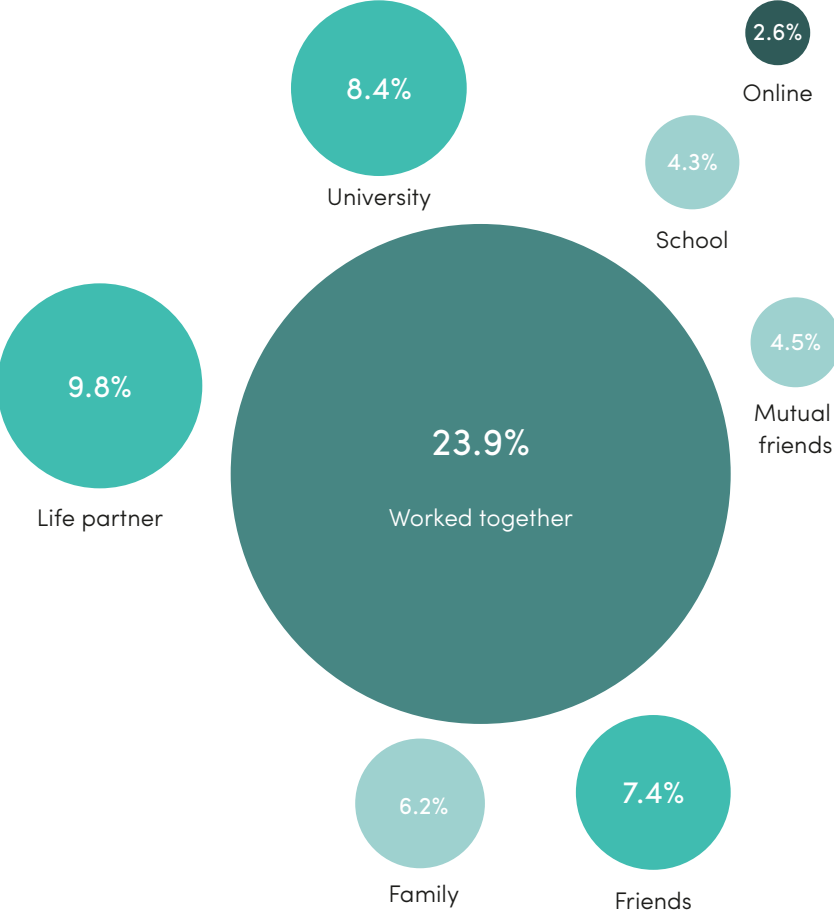
Who and what was their experience?

Skills present in team



How founders met

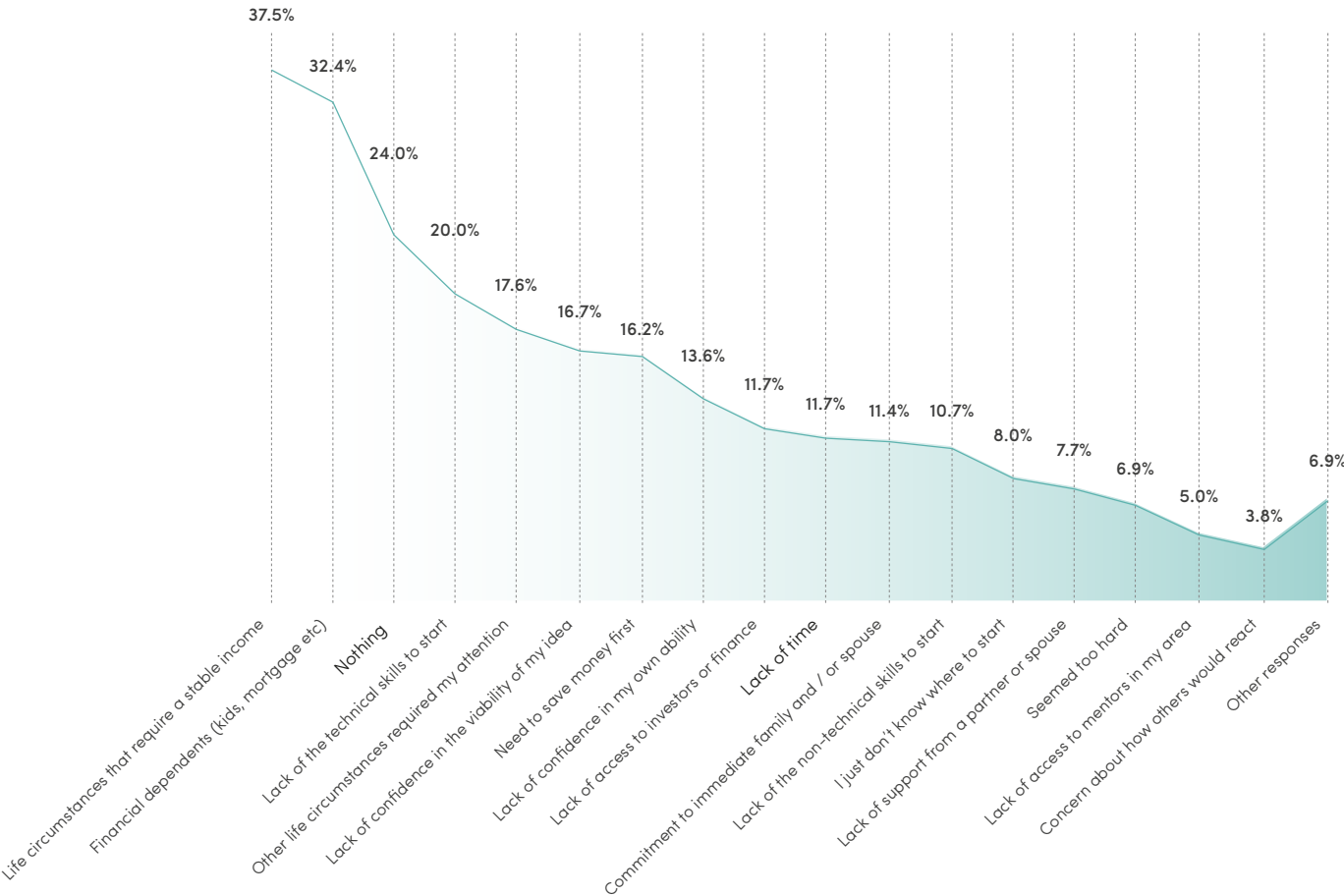
* Other responses: 28%



Founding team profile

Who and what was their experience?

Hindrances to founding a startup



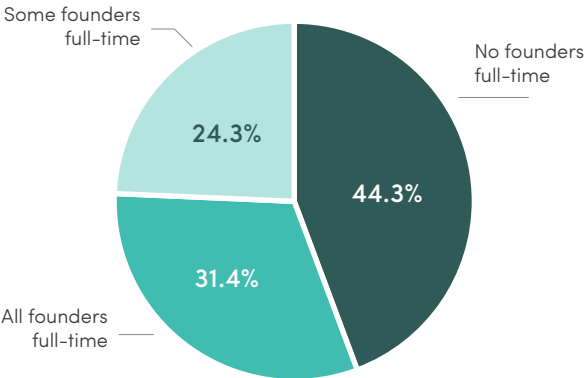
The biggest barrier



37.5%

agree that life circumstances that require a stable income were the main hindrance when founding a startup

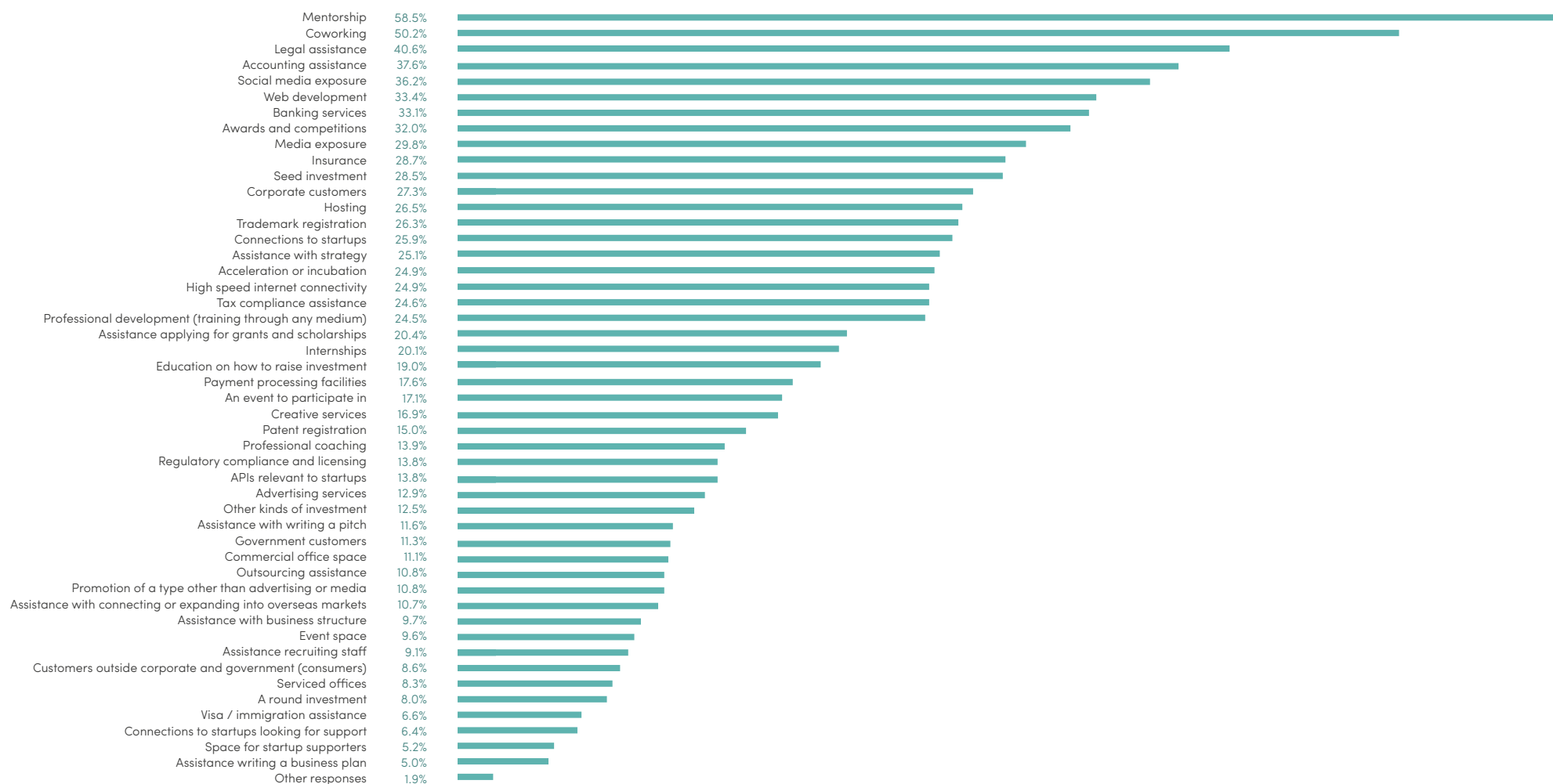
Working full time on startup



Founding team profile

Who and what was their experience?

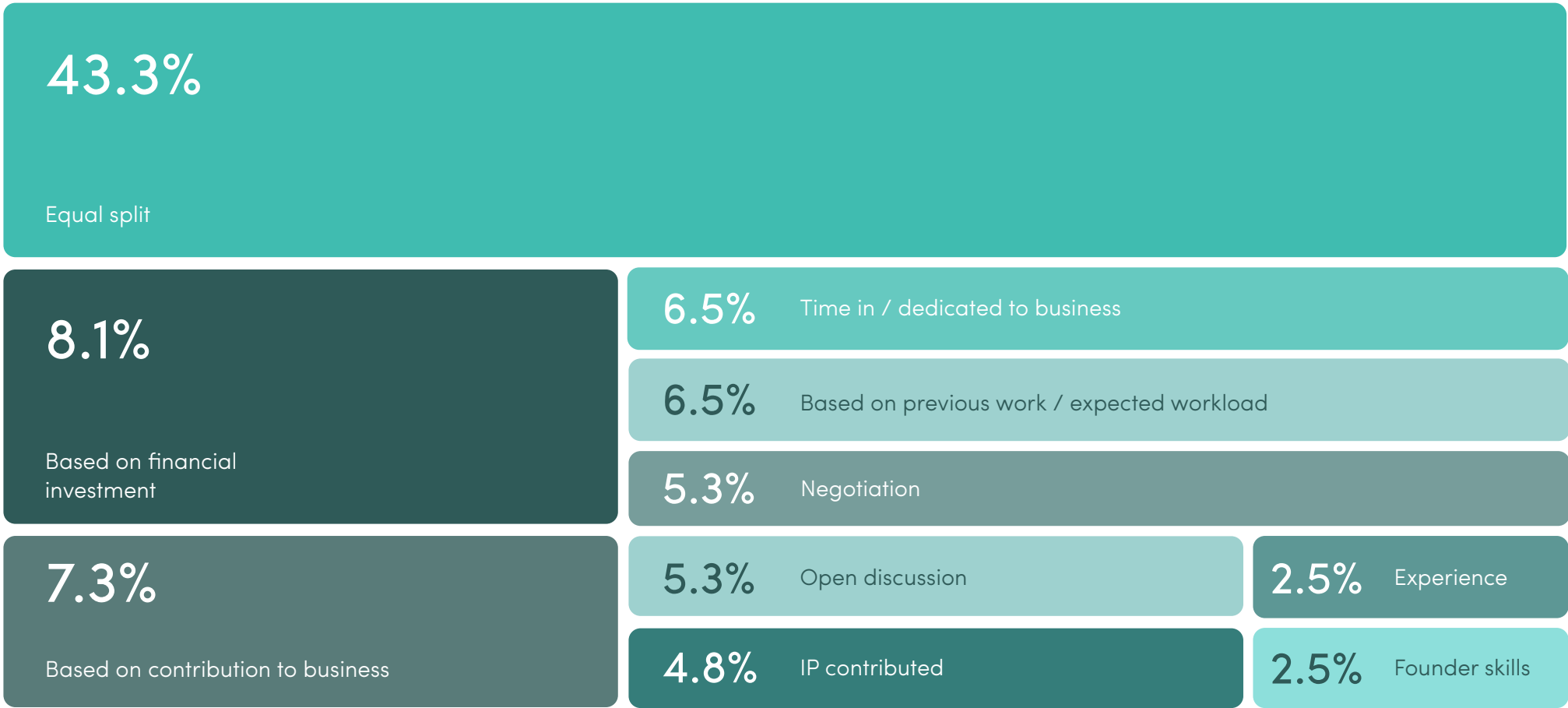
Help benefited from since founding the startup



Founding team profile

Who and what was their experience?

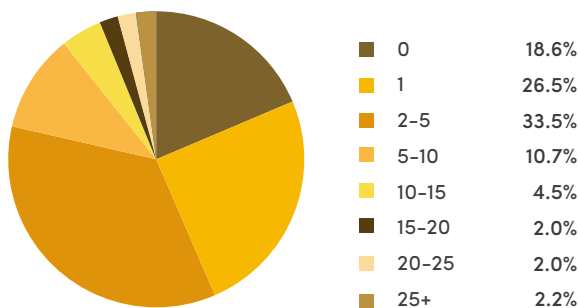
How equity was split amongst founding team



Current team profile

Who's running startups today?

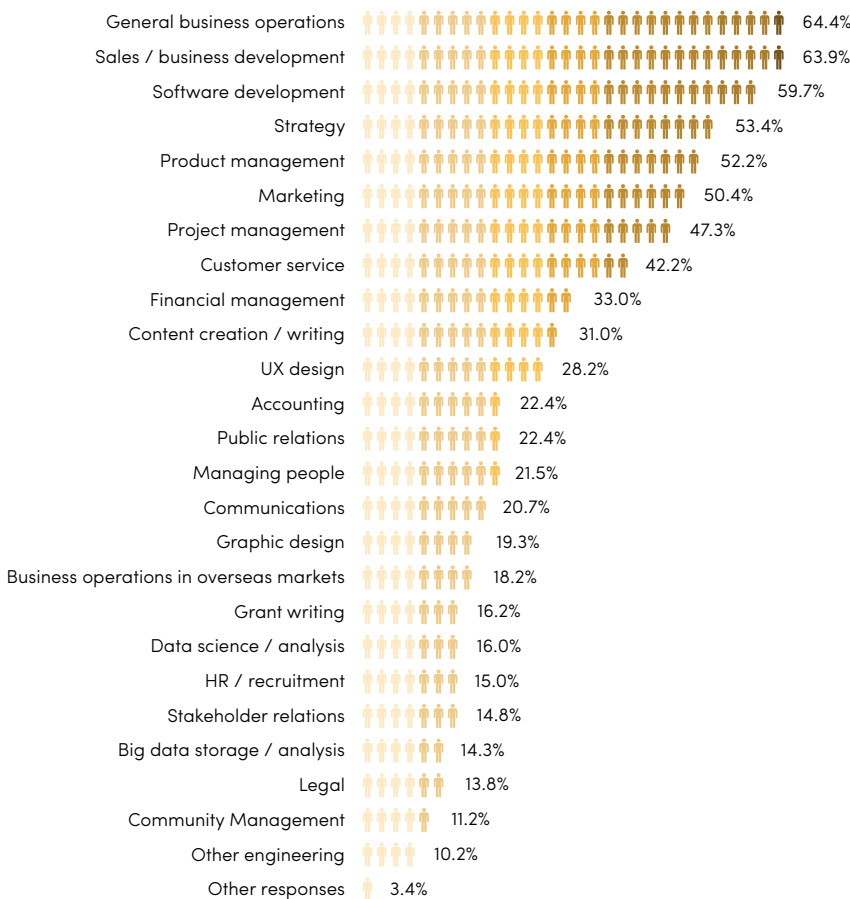
Number of full-time employees



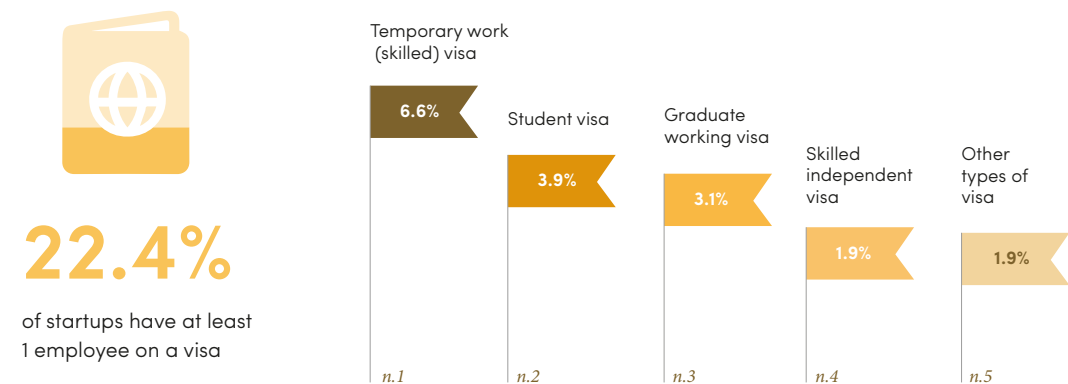
Use of part-time employees



Full-time job functions



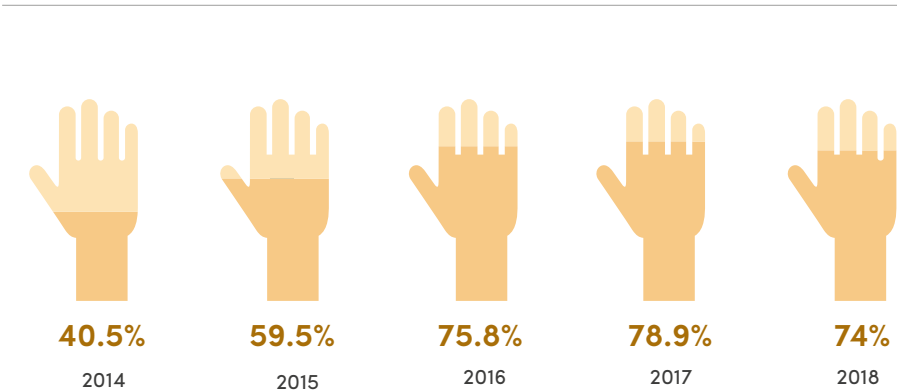
Employees on a visa



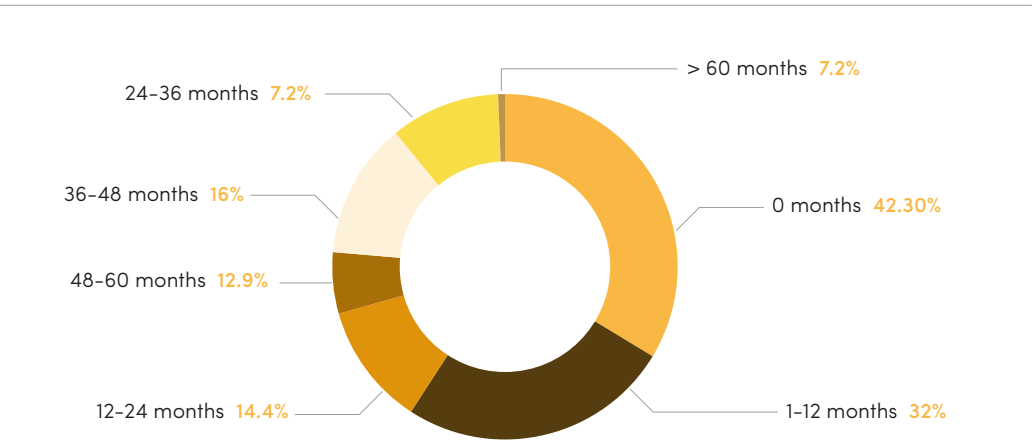
Current team profile

Who's running startups today?

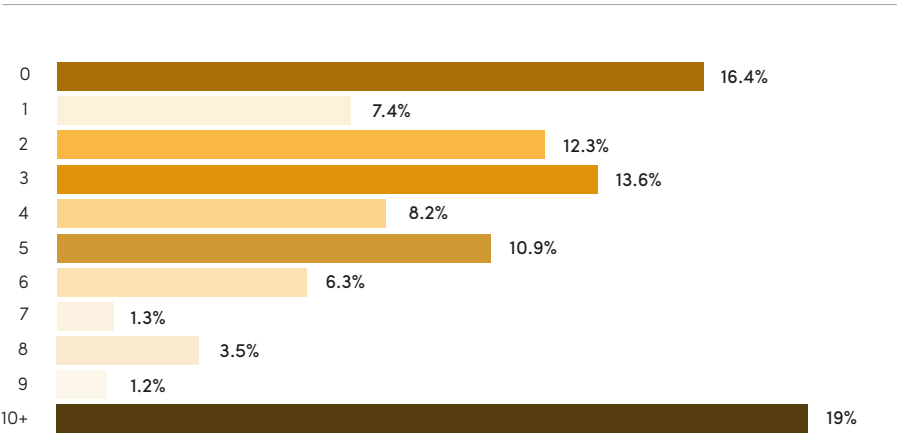
Employees with equity



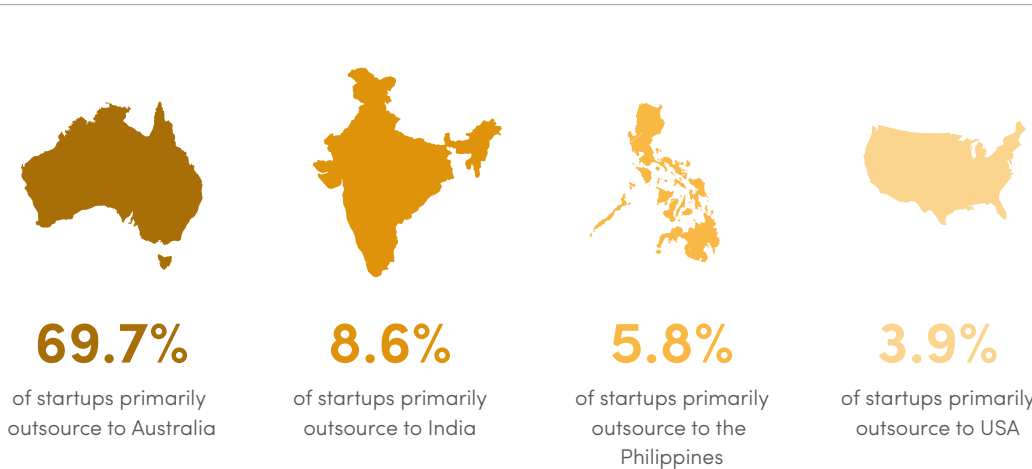
Vesting period for these employees



Number of people outsourced to in the past 12 months



Primary country of outsourcing

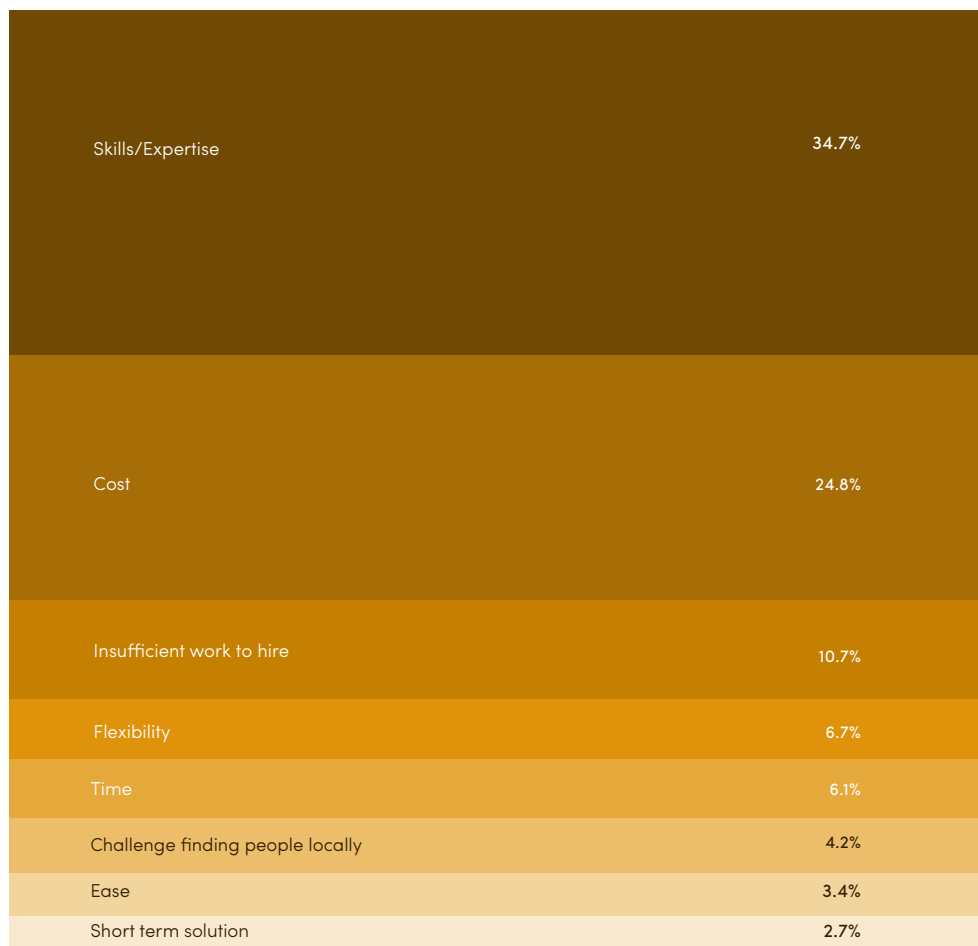


Current team profile

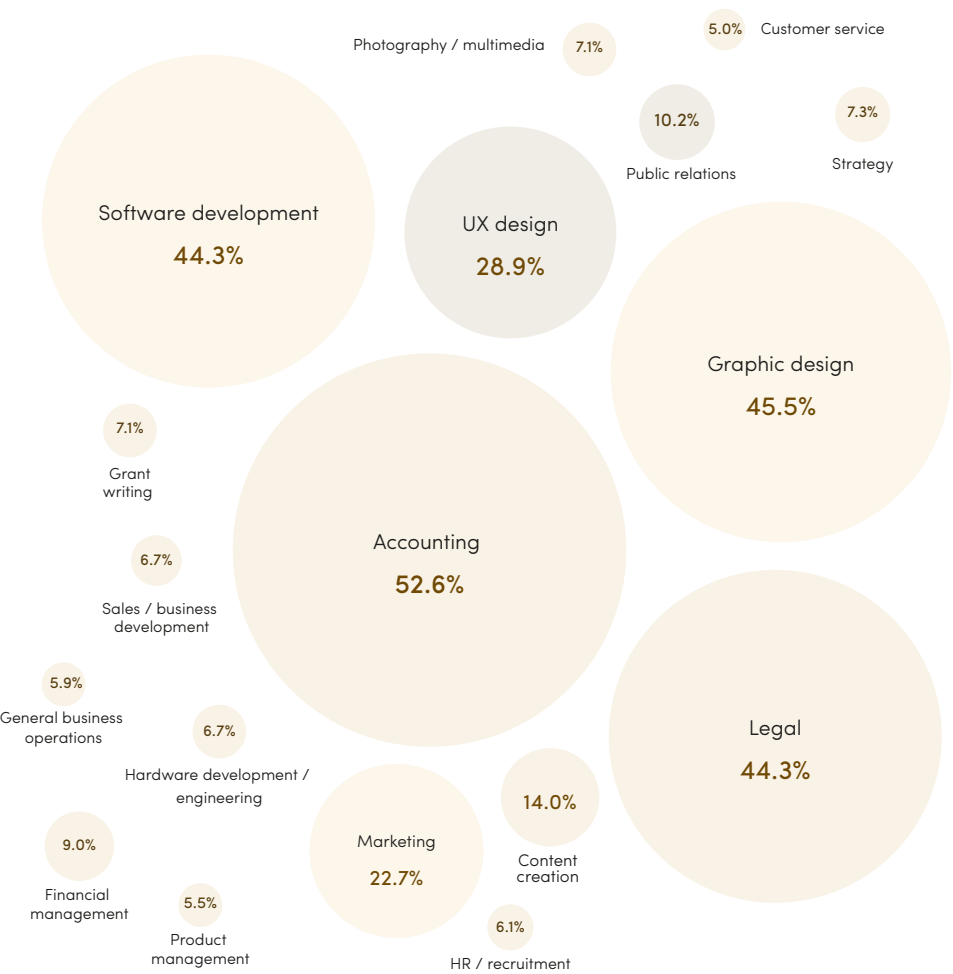
Who's running startups today?

Reasons for outsourcing

* Other responses: 19.3%



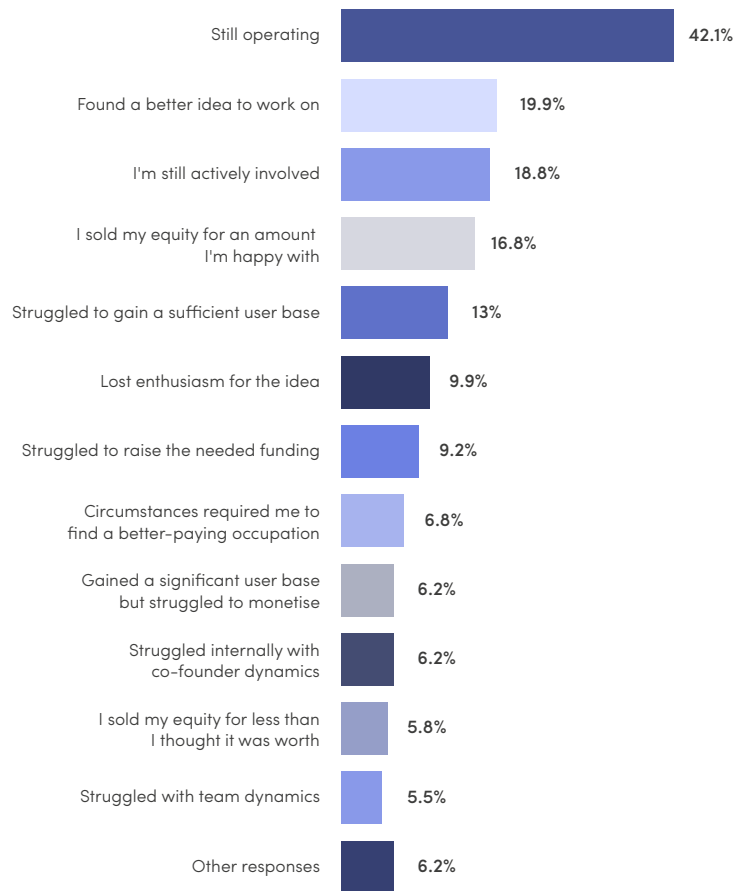
Key functions of contractors



Business profile

What are they doing?

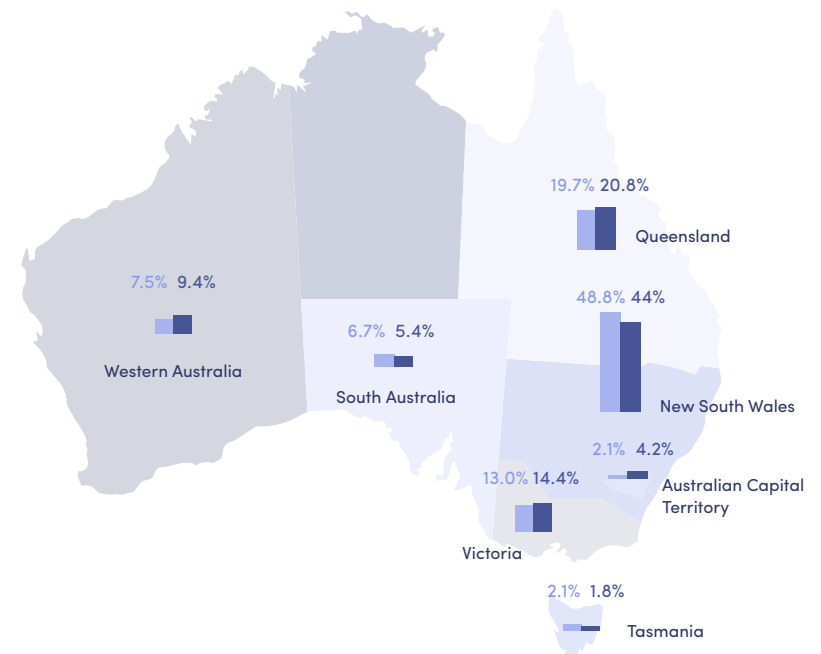
Status of last startup



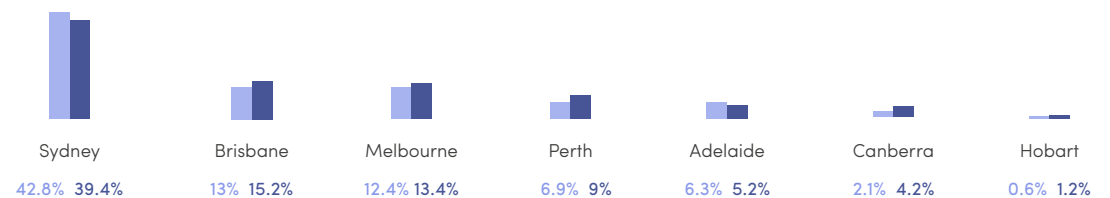
Primary office location

● 2018 ● 2017

States



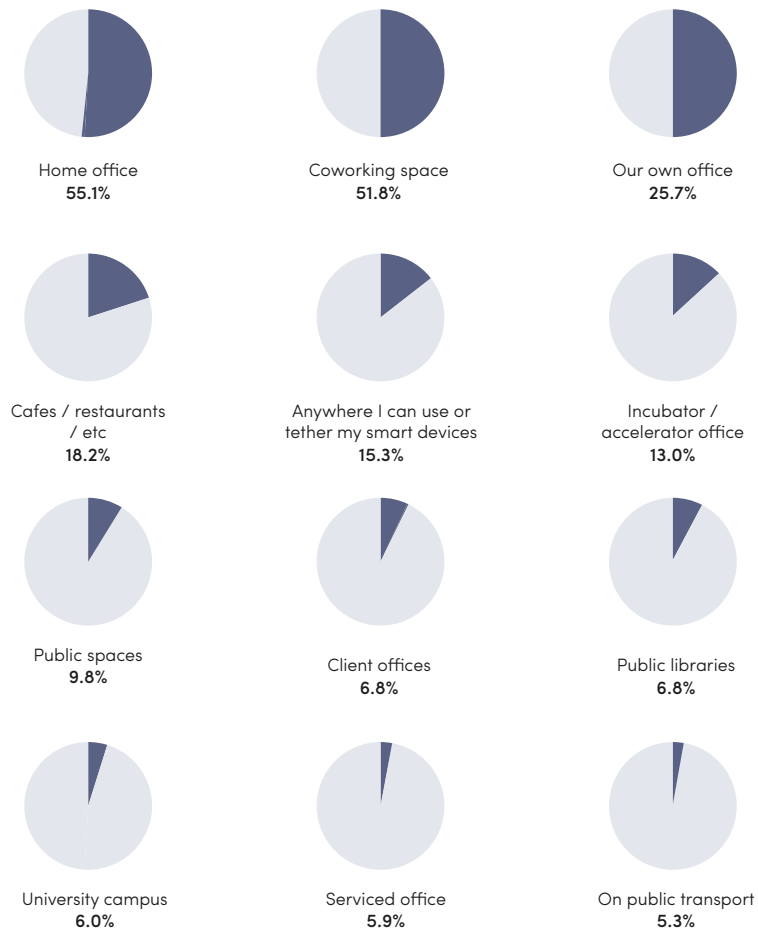
Major Cities



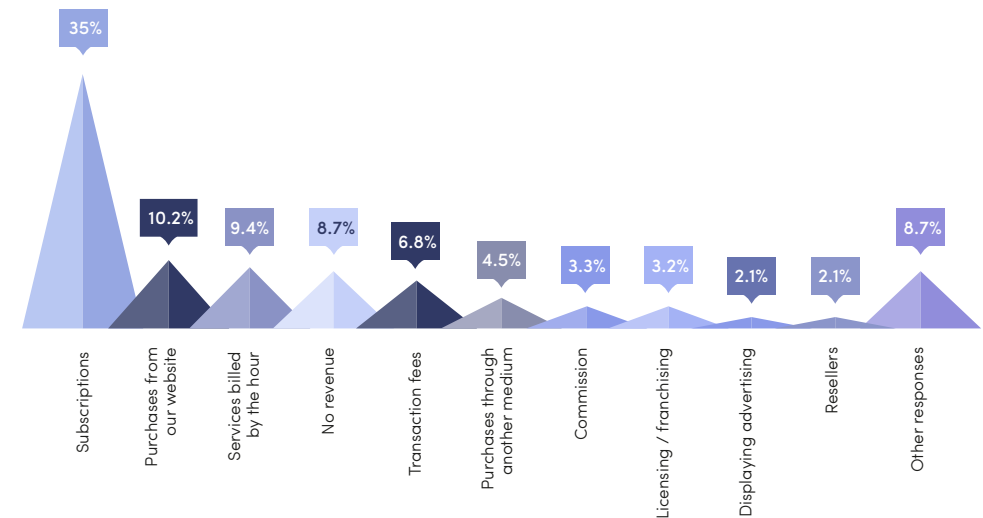
Business profile

What are they doing?

Types of location worked from



Largest revenue sources



Revenue in past 12 months



33.1%

of startups had no revenue in the past 12 months



9.6%

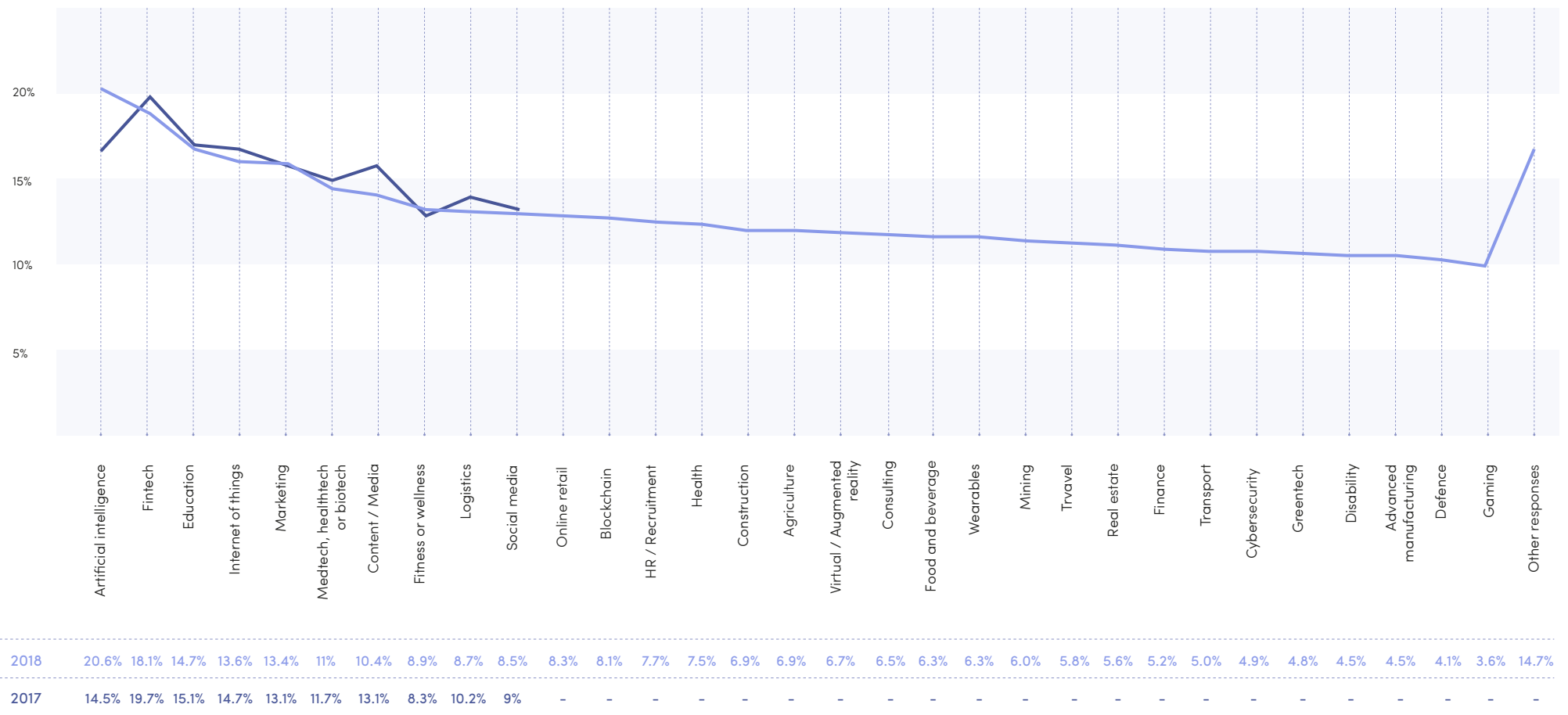
of startups had revenue of \$1m or more in the past 12 months

Business profile

What are they doing?

Industries strongly related to the startup

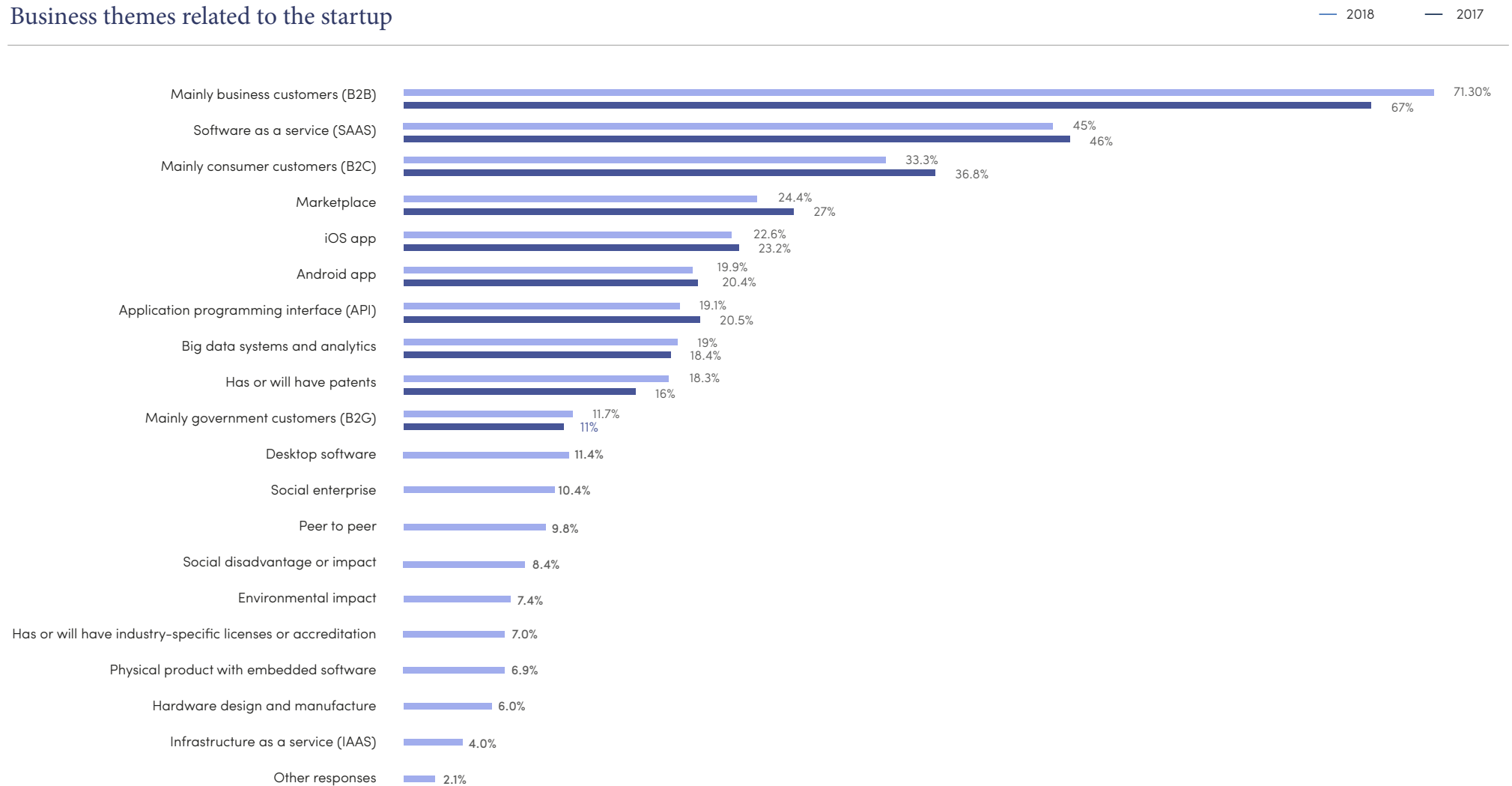
— Industries in 2018 — Industries in 2017



Business profile

What are they doing?

Business themes related to the startup



Funding

How are they being funded?

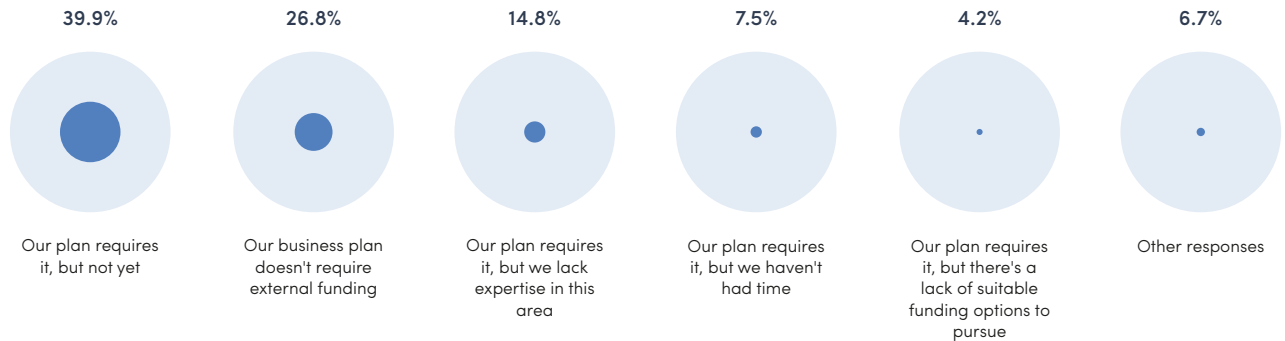
Funding status



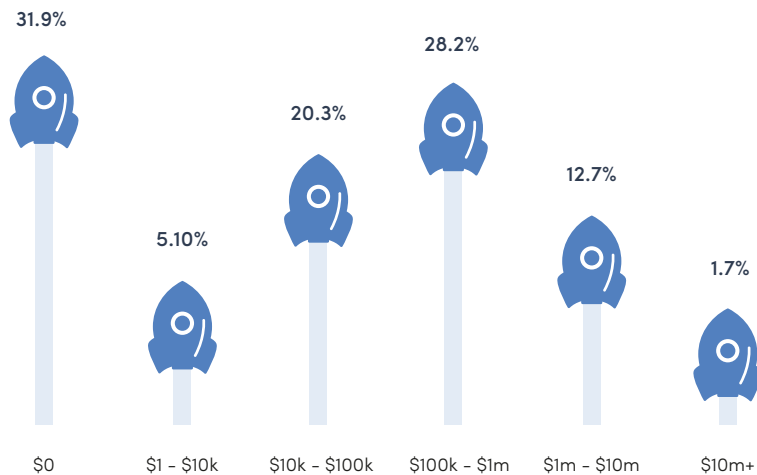
49.2%

of startups are currently trying to raise funding

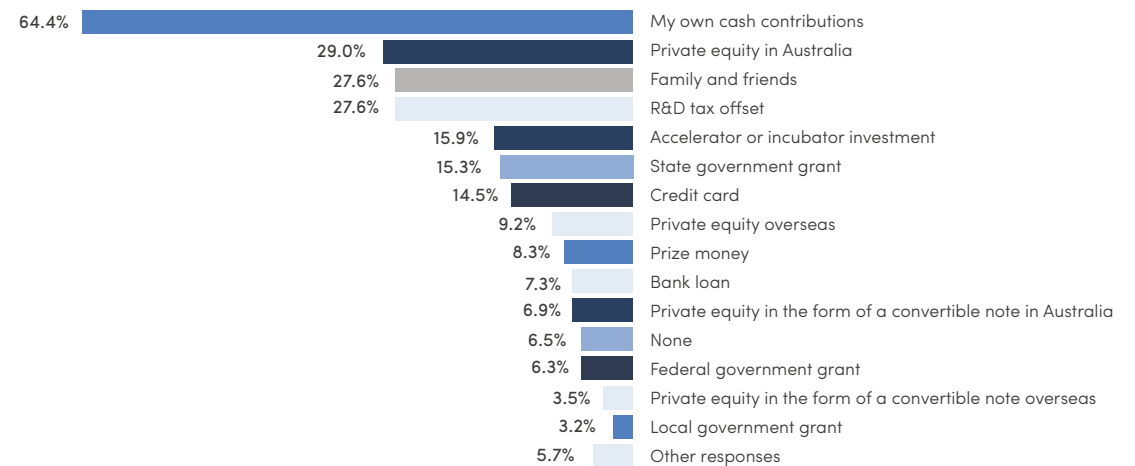
Reasons for not raising



Total funds raised



Types of funds raised



Funding

How are they being funded?

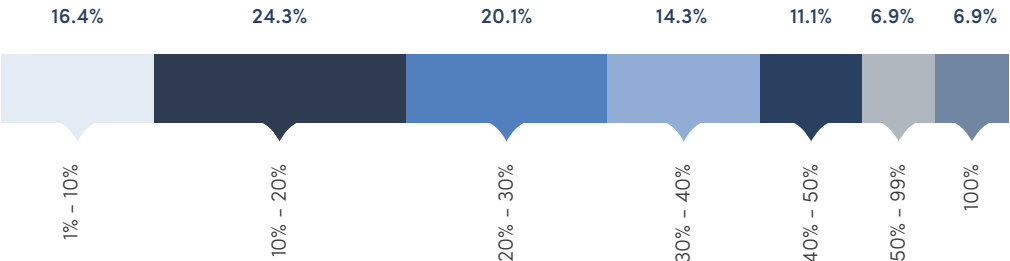
Startups that have at least one investor

Amount of equity held by investors



33.8%

of startups have secured at least 1 investor



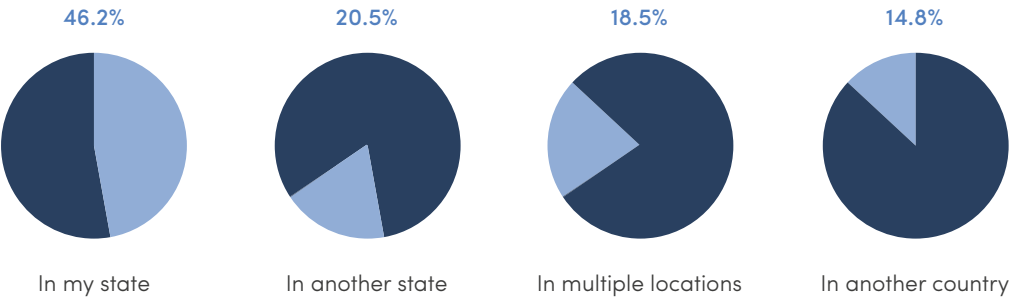
Startups that have approached investors

Location of investors



41%

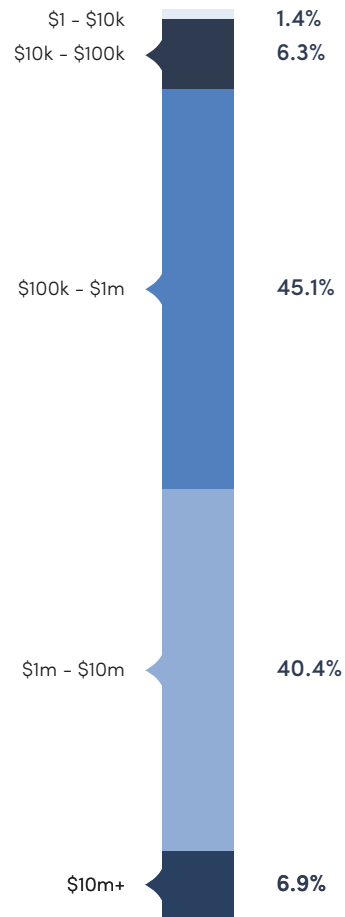
41% of startups have approached at least 1 investor



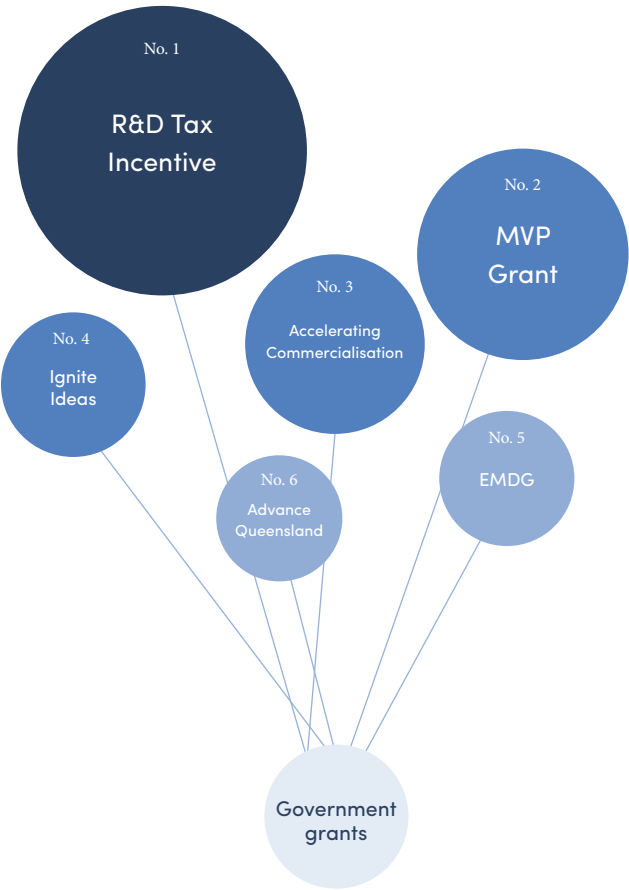
Funding

How are they being funded?

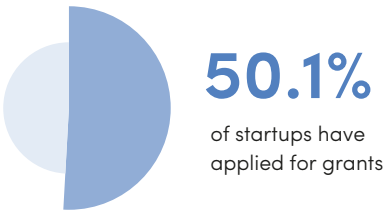
Planned size of next raise



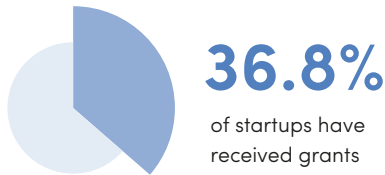
Most often received government grants



% Startups that have applied for grants



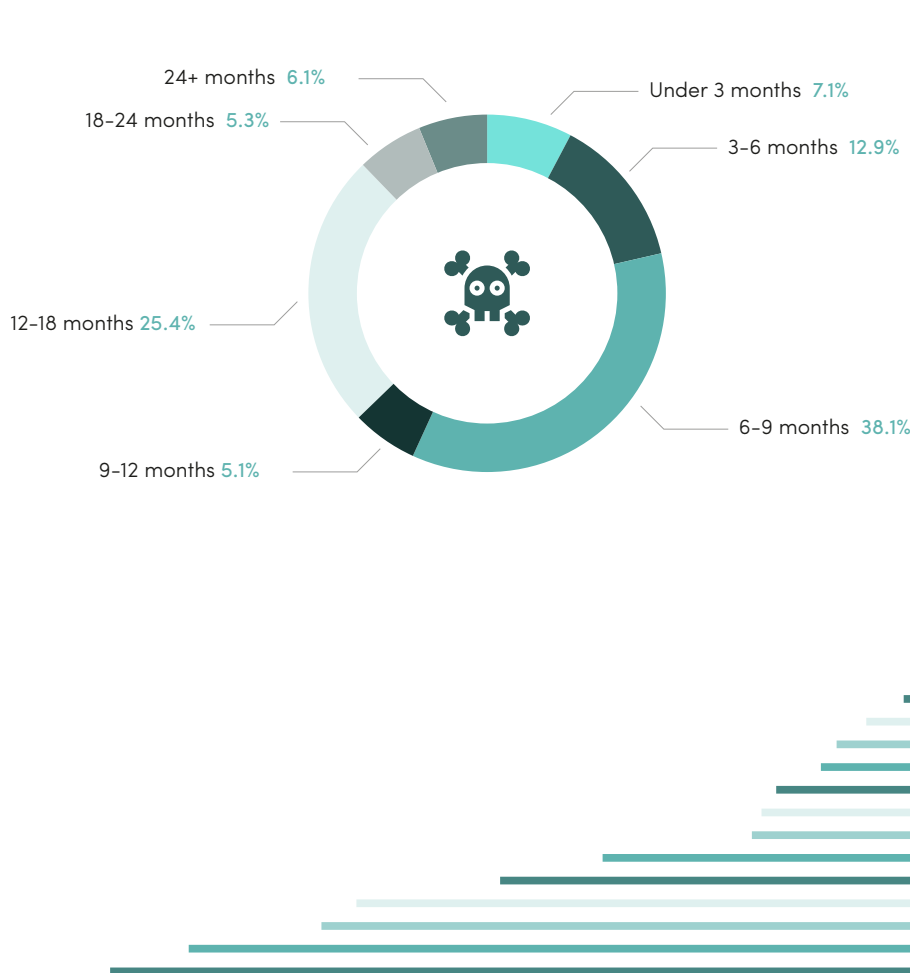
% Startups that have received grants



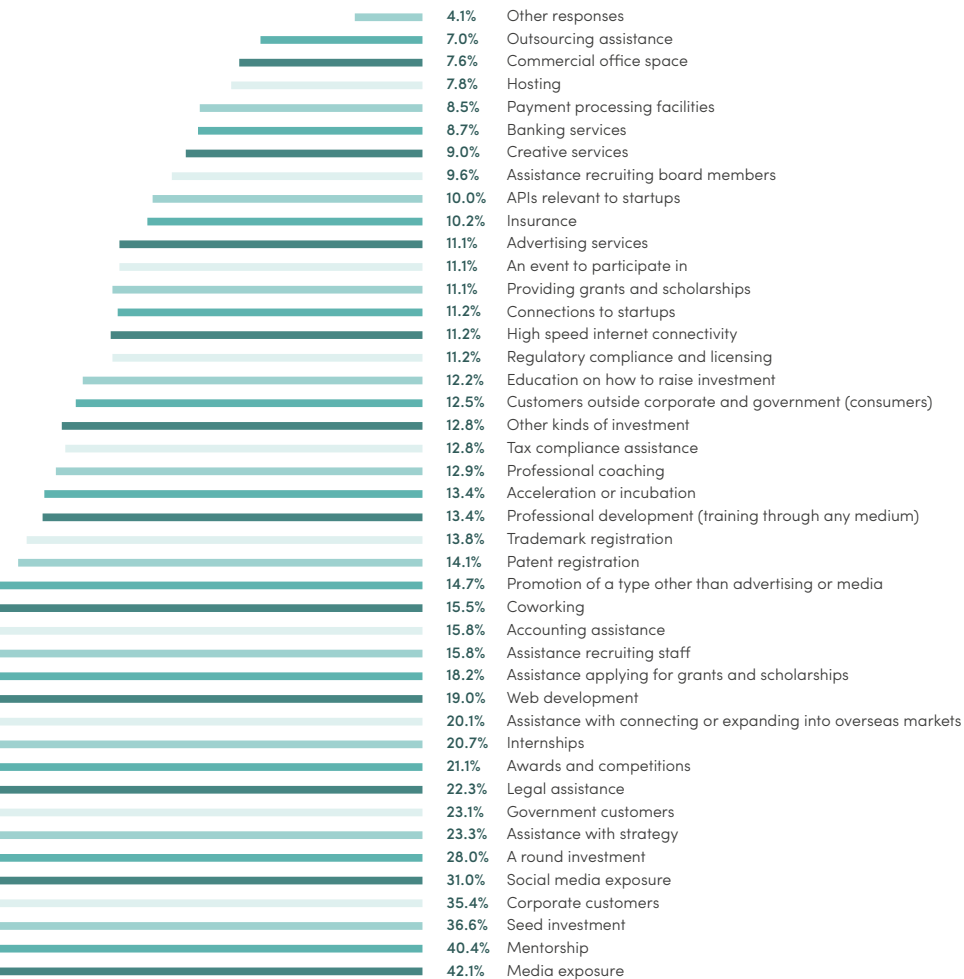
Future of startups

What's coming up?

Financial runway in months



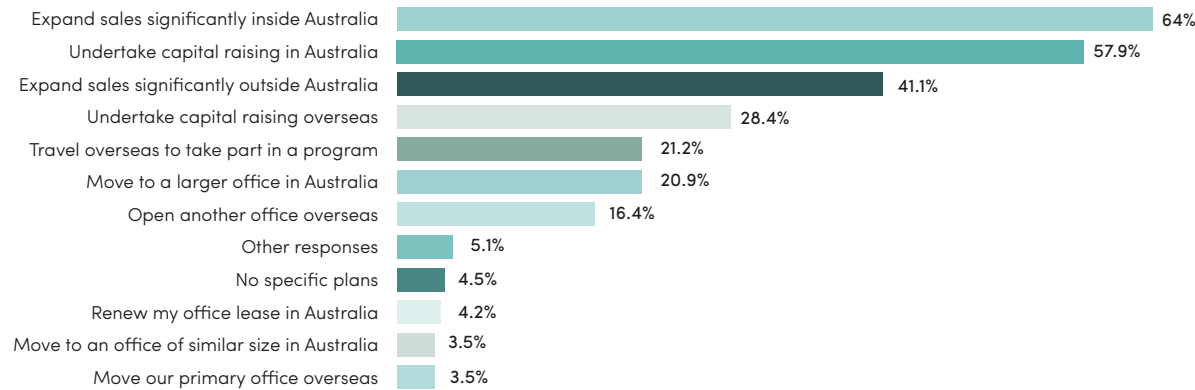
What startups need in the next six months



Future of startups

What's coming up?

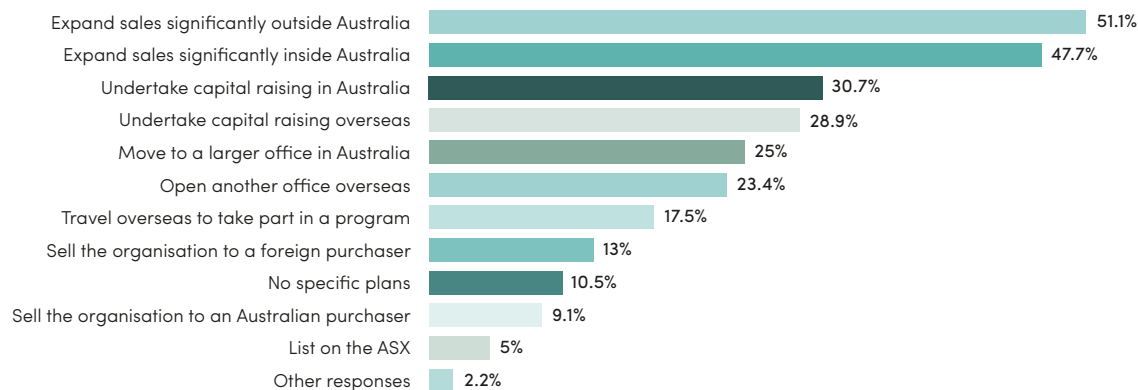
Founders' plans for the next 12 months



64%

of startups plan in the next 12 months to expand sales significantly inside Australia

Founders' plans beyond the next 12 months



51.1%

of startups plan beyond the next 12 months to expand sales significantly outside Australia

Future of startups

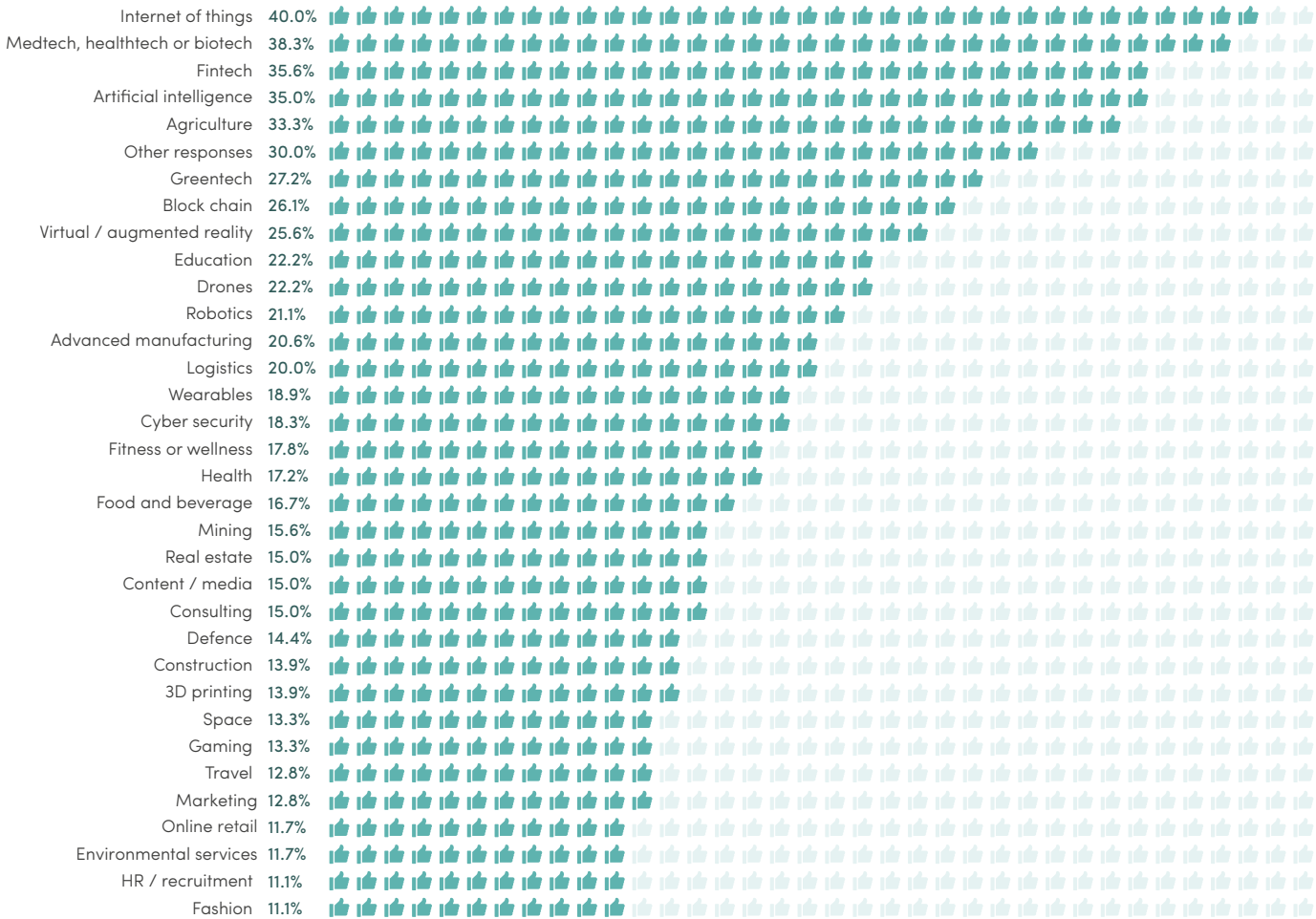
Who's supporting startups?

% of supporters focused on specific industry



of supporters focused
on specific industry

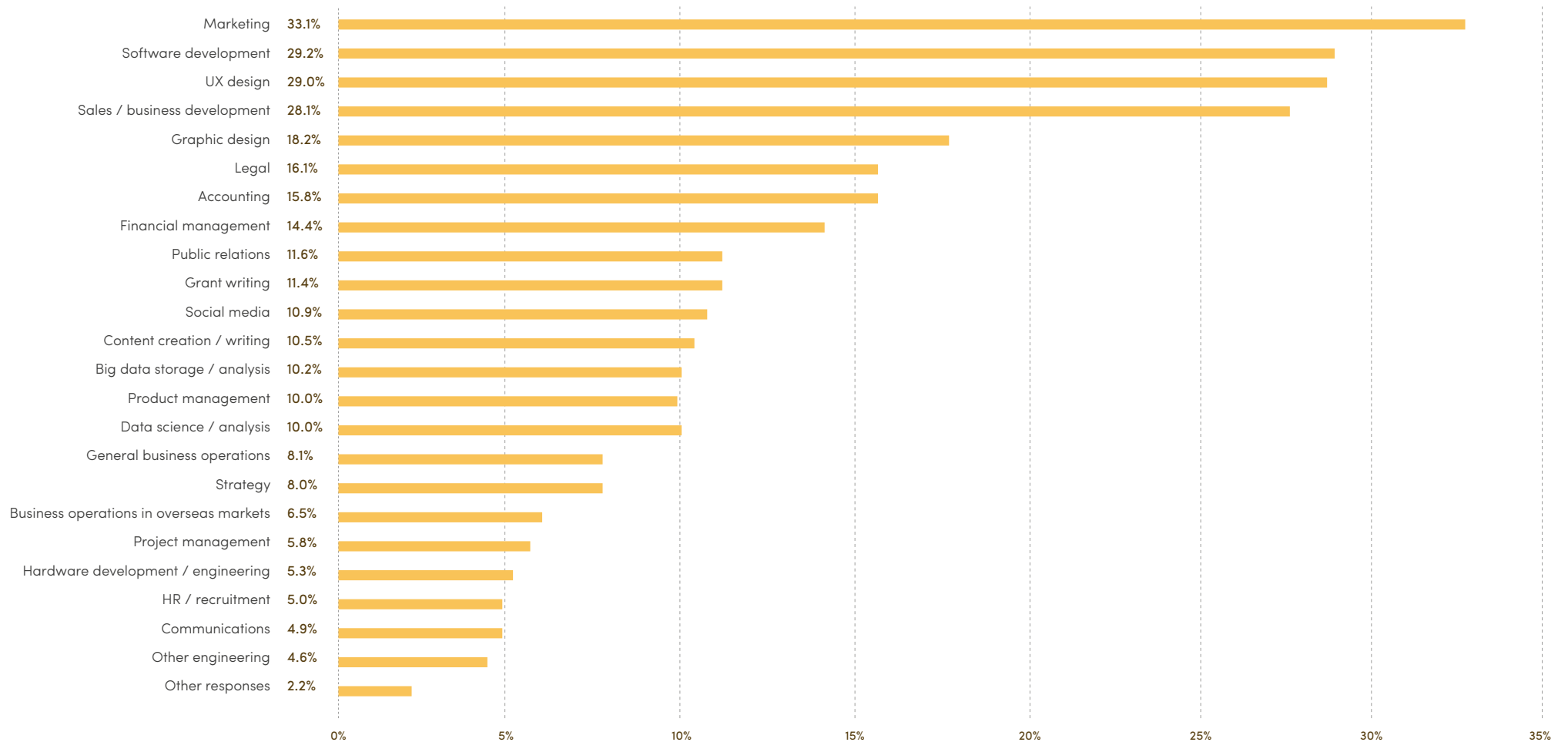
Industries targeted by supporters



Hindsight

What could have been?

Skills founders wish they had in the founding team



Hindsight

What could have been?

What future founders expect to like about being a founder vs. What founders actually enjoyed

What future founders expected to enjoy



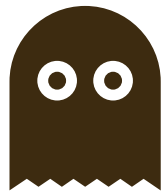
What did founders not expect about running a company?

Amount of time
Challenge and hard work
Supportive community
Ups and downs
Personal realisation
Constant grind
Realisation about customers
Costs involved
Need to do many things at once
How enjoyable it can be
Isolating experience
Realisation about funding
Lack of support
Stress
Realisation about startups
Learning

Hindsight

What could have been?

Top 5 things that keep founders awake at night



Financial concerns



Revenue



Growth



Everything



Customer acquisition

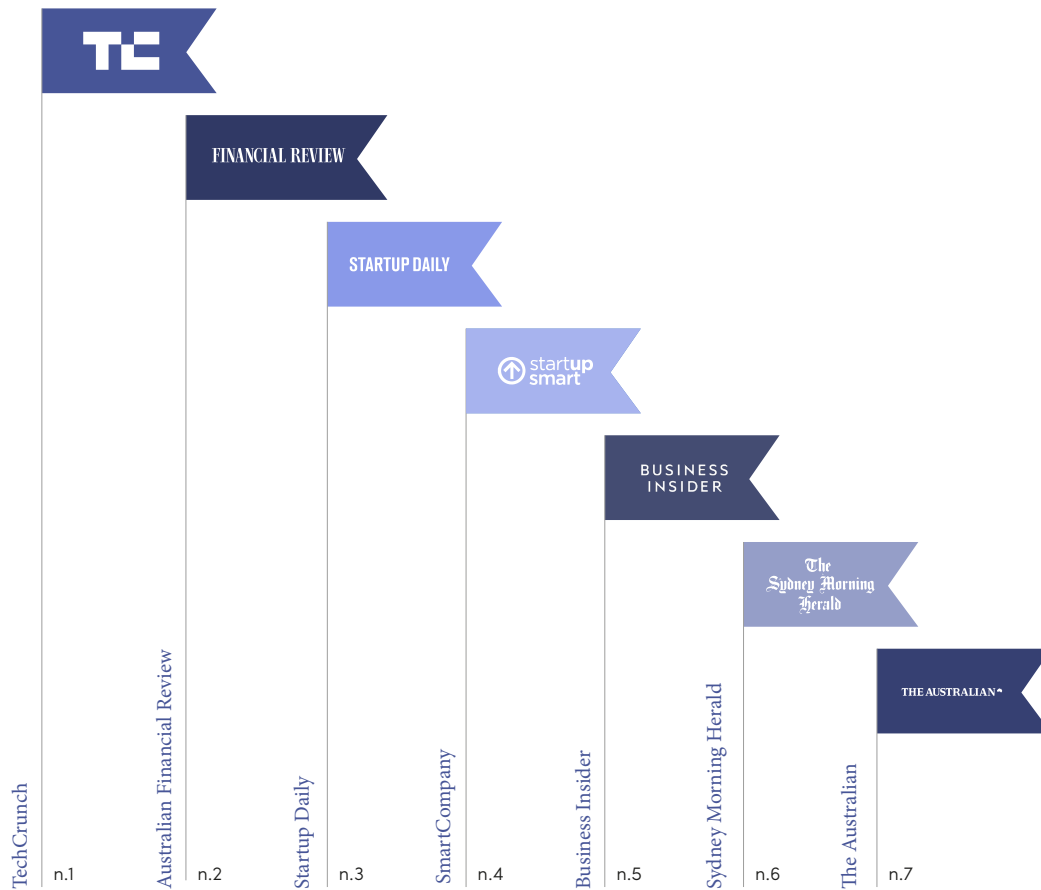
Recommendations from founders to new founders

Prepare for hard work
Get a mentor
Prepare your finances
Build an MVP
Understand the problem you're solving
Network
Use a lean approach
Research the market
Focus on product / market fit
Give yourself time to prepare
Validate
Be committed
Build a team
Get involved in the startup community
Be passionate
Go for it
Research your customers
Join a coworking space

Resources

Where to find help

Top news sources



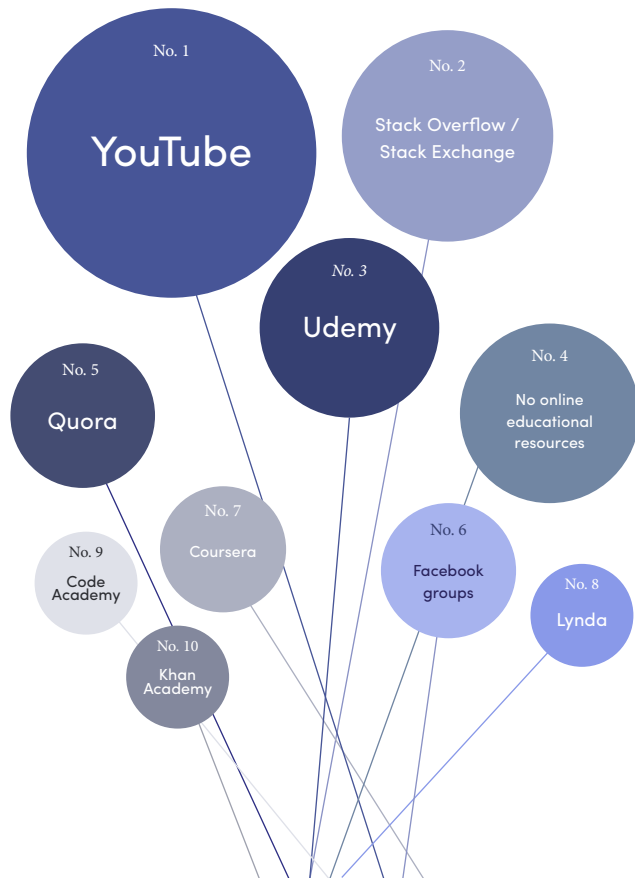
Most recommended books



Resources

Where to find help

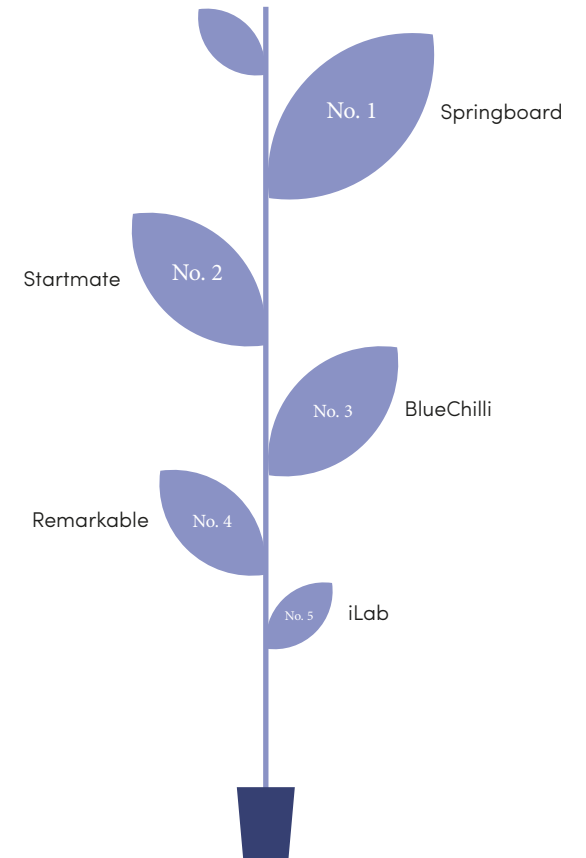
Online resources used and recommended by founders



Coworking spaces used and recommended by founders

	1. Fishburners
	2. WeWork
	3. Stone & Chalk
	4. River City Labs
	5. Tank Stream Labs
	6. SpaceCubed
	7. The Hub
	8. Little Tokyo Two
	9. Flux
	10. TwoSpace

Accelerators and incubators used and recommended by founders



Resources

Where to find help

Membership organisations and meetups recommended by founders



1. Sydney Startups Facebook group
2. Silicon Beach
3. LMBDW
4. StartupVic
5. Startup Adelaide
6. Startup Grind
7. Edugrowth
8. TechSydney
9. River City Labs
10. Innovation Bay
11. Morning Startup
12. Fintech Australia
13. Chooks SA

Average number of events attended per month by founders



54.9%
of founders attend 2
or more events per
month

Inspiring and supporting our future founders



UTS is proud to play its part alongside Startup Muster in measuring and supporting the progress of Australia's startup ecosystem. Having worked with Startup Muster for the past five years, we've seen firsthand how crucial it is to get under the skin of what's driving Australian startup growth, so we can apply those insights to how UTS is developing the next generation of founders.

We recognise the potential of entrepreneurship and are committed to supporting our students so they can soon take their place in the ecosystem. Over the next five years, UTS has committed to reach over 50% of our students with entrepreneurial experiences.

Not just another university accelerator program, our **UTS Startups** program is designed to inspire every student at UTS, and support every startup at UTS, through connections between each startup and connections to the vibrant Sydney startup ecosystem, a stone's throw from our campus.

We believe the startup ecosystem of the future will be shaped by the ingenuity and innovation of our graduates, and what we're offering is designed to deliver on that promise.

Want to work with us to inspire and support startups at UTS? Drop us a note at startups@uts.edu.au. We look forward to hearing from you!



Margaret Maile Petty
Executive Director,
Innovation and Entrepreneurship, UTS

