Executive Summary: Mannheim Startup Monitor

When talking about startup ecosystems in Germany, the focus is usually on the metropolitan areas Berlin and Munich. However, over the past few years an active startup ecosystem has not only developed in these two international hotspots, but also in many other regions of Germany: Mannheim stands out as one of the most active locations for startups in Germany in relation to its population.

Overall, the ecosystem is on the rise, as indicated by the large number of early-stage startups. Mannheim is mainly characterized by a very high satisfaction of the founders with their location and the general conditions. With the University of Mannheim, the city has one of Germany’s top entrepreneurship universities and the strong B2B scene profits from the large number of established companies in the region.

When it comes to growth, the region has potential for development – larger investments and high employee numbers are currently still rare. In the coming years, it will be important to provide impulses in the areas of international networking and funding (especially business angels and VC).
The German Startup Monitor is the basis of the report

Methodology of this report

• Special analysis of the German Startup Monitor 2020 for Mannheim with 65 identified startups, which are compared to other regions and Germany as a whole.

• The German Startup Monitor (GSM) was conducted for the first time in 2013 and is today the largest survey of German startups with 1,946 participants in the GSM 2020.

• The German Startup Monitor is supported by more than 300 network partners from across the ecosystem who share the survey in their networks.

Startup definition

– are innovative in their technology and/or their business model.

– plan or show significant growth in employees and/or sales.

– are younger than 10 years.
The ecosystem in Baden-Württemberg is characterized by:

- a continuously high response rate in the German Startup Monitor (2018: 12.4%; 2019: 12.6%).
- a large number of ecosystems showing strong activity in recent years, such as Mannheim, Karlsruhe and Stuttgart.

Baden-Württemberg has an active ecosystem

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Startup activity in Mannheim is very high

Top 5 locations new founded startups in 2019
Source: startupdetector

1. Berlin: 564
2. Munich: 274
3. Hamburg: 164
4. Mannheim: 94
5. Stuttgart: 94

GSM startups per 100,000 residents 2018-2020 in selected cities

<table>
<thead>
<tr>
<th>City</th>
<th>GSM startups per 100,000 residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mannheim</td>
<td>17.0</td>
</tr>
<tr>
<td>Karlsruhe</td>
<td>12.1</td>
</tr>
<tr>
<td>Bremen</td>
<td>11.3</td>
</tr>
<tr>
<td>Bielefeld</td>
<td>6.5</td>
</tr>
<tr>
<td>Bochum</td>
<td>4.8</td>
</tr>
<tr>
<td>Nürnberg</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Germany: 2.2

1) The data for 2018 to 2020 were summarized and calculated as an average for 3 years.
Ecosystem in Mannheim is rated as very good

- No other major location in the GSM is rated higher by the founders than Mannheim.

- The rating of the ecosystem in Mannheim was at a similarly high level in the previous year (85.3%).

- The general satisfaction of the founders is also reflected in the evaluations of many more ecosystem factors.
Universities are important startup drivers

- Mannheim (94.8%) has an above-average share of academics, just like the hotspots Berlin (91.1%) and Munich (92.9%).

- Three out of ten (29.1%) of the Mannheim founders with a academic degree have graduated from the University of Mannheim.

- 94.9% of the founders rate the proximity to universities as (very) good - a top value comparable to Munich (92.6%) and Aachen (94.3%).
Female founders are underrepresented in the ecosystem

- Regarding the share of female founders the Mannheim startup ecosystem is at a similarly low level as the rest of Germany.

- For entrepreneurship in general, the underrepresentation of women is smaller – an indication of specific problems in the startup ecosystem.

- In addition, female founders face considerable challenges in the areas of growth, financing and access to networks.

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2) Female Founders Monitor 2020.
Serial founders as an indicator of developed ecosystems

Serial founders are an indicator for the attractiveness of the ecosystem: they create international networks and strengthen the funding landscape as business angels – prominent examples are the startups grown out of Paypal in Silicon Valley, which include Tesla and LinkedIn.

**Mannheim** has succeeded in creating a high level of startup activity – this level must be kept up and through more series founders it is possible to achieve important synergy effects.

### Share of serial founders

<table>
<thead>
<tr>
<th>City</th>
<th>Serial Founders</th>
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</thead>
<tbody>
<tr>
<td>Berlin</td>
<td>54.3%</td>
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<tr>
<td>Munich</td>
<td>52.2%</td>
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<tr>
<td>Kiel</td>
<td>47.2%</td>
</tr>
<tr>
<td>Mannheim</td>
<td>43.1%</td>
</tr>
</tbody>
</table>

GSM 2020: 47.1%
Mannheim startups are in the early stages

- Mannheim startups are rather in the early stages of development – a further indication of the high level of recent startup activity.

- Compared to highly developed ecosystems such as Berlin (34.6 %) or Munich (32.5 %), a significantly lower share is in the growth stage.

- The leap into the growth stage often calls for venture capital, which to secure requires appropriate networks and support.
Startups can become real job engines

Startups defy the corona crisis and...

- **84.7 % plan to hire new staff** in Mannheim in the coming year – the figure is slightly lower than in other regions in Germany.

- **13.3 % of the startups in Mannheim have more than 10 employees** – especially in the hotspots of Berlin (46.1%) and Munich (41.8%) these figures are higher.

- need incentives for **better networks and access to capital** to better meet their growth challenges.
Growth market B2B

• After many B2C success stories, the **B2B sector** is considered a major **growth market** for startups in the future.

• Startups can profit from many **established companies** in the Rhine-Neckar region – however, this is not a automatism.

• With 67.8% more startups than in any other city rate the **opportunities for cooperation** as (very) good.

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**Average revenue shares**

With 72.5%, the **B2B revenue share** of Mannheim startups is exceptionally **high** – only Munich with 74.6% has a stronger B2B orientation.

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**B2B business is central to many startups**
High satisfaction with access to capital

Sources of funding

<table>
<thead>
<tr>
<th>Source</th>
<th>Personal savings</th>
<th>Government subsidies</th>
<th>Family and Friends</th>
<th>Business Angels</th>
<th>Incubator/Company Builder or Accelerator</th>
<th>Venture Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source Percentage</td>
<td>78.4%</td>
<td>44.3%</td>
<td>25.5%</td>
<td>31.6%</td>
<td>15.8%</td>
<td>18.6%</td>
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<tr>
<td>Source Location</td>
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<tr>
<td>Business Location</td>
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<tr>
<td>Berlin</td>
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<tr>
<td>Munich</td>
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<tr>
<td>Mannheim</td>
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<tr>
<td>Frankfurt a.M.</td>
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<tr>
<td>Aachen</td>
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<tr>
<td>Bremen</td>
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Despite the satisfaction with their access to capital, business angel investments and venture capital are still rarely used, compared to the national average.
Business angels and venture capital are important factors for growth – this can be seen for example in Berlin or Munich.

The gap between the wish for such funding and its realization is large – also in other regions.

In Mannheim, 42.6 % of startups surveyed are planning an exit – the figure is lower than in Berlin (75.4 %) and Munich (72.4 %).

Business angels provide networks to customers and VC investors, most of which are based in metropolitan areas such as Berlin and Munich.
Startups benefit from a skilled workforce

Positive assessment of the local availability of qualified employees

- Aachen: 72.7%
- Mannheim: 70.0%
- Munich: 65.4%
- Frankfurt a. M.: 56.0%
- Bremen: 51.2%

GSM 2020: 53.6%

- The excellent universities in the region allow startups to draw from a great local talent pool.

Positive assessment of the attractiveness for talents from outside

- Munich: 76.7%
- Frankfurt a. M.: 55.1%
- Mannheim: 50.9%
- Aachen: 32.4%
- Bremen: 18.6%

GSM 2020: 48.3%

- Startup ecosystems also benefit from soft factors that attract talent – Mannheim is comparatively well positioned here in terms of its size.
The founders in Mannheim are highly satisfied with the networks in their regional ecosystem.

Bridges to growth ecosystems like Berlin are helpful in opening up access to venture capital networks for startups.

Support in accessing international markets is particularly important for startups – even more for first-time entrepreneurs.
The local infrastructure is rated positively

• **The regulatory framework** and **government initiatives** are important drivers in the development of startup ecosystems.

• **Affordable office space** is crucially important for startups and their growth - there is a high level of satisfaction in Mannheim.

• Especially for first-time founders, local **support and mentors are important** when facing challenges.

### Positive assessment regarding ...

| Availability of affordable office space | 40.5% | 76.7% |
| Economic policy initiatives | 55.5% | 75.9% |
| Access to consultants or mentors | 58.8% | 66.1% |

[Data source: GSM 2020, Mannheim, Frankfurt a.M., Bremen]
A dynamic startup ecosystem has developed in Mannheim with ...

Startup activity at a high level:
Mannheim occupies a top position nationwide in terms of startup activity per capita.

Satisfaction in the ecosystem:
The startups appreciate their location and rate it significantly better than other cities.

Potential for further development:
To reach the next level, networks as well as business angels need to be strengthened.
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