
Key Trends and Analysis of the 2015 Incubation and Acceleration Ecosystem

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A special thanks to our friends for their support:

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ABOUT SPEED2SEED

As part of our India Impact Acceleration Program, Unitus Seed Fund created the Speed2Seed™ program in which we are partnering with Indian business incubators and accelerators to help them become more impactful in finding and training more entrepreneurs who are well-prepared to succeed in the startup environment beginning with the milestone of being able to receive initial venture capital investment.

Unitus will be working with Speed2Seed partners for up to 2 years over multiple program cycles to build capacity and consistent strong results based on research, experience and best practices. We will bring this to our partners through a set of seminars and mentoring process, adapted to and specifically reflecting our partner needs and localized requirements. The focus will reflect an initial agenda to include experimenting with new ideas, refined recruitment strategies, developing broader investor networks, better leveraging alumni and advisors, implementing curriculum enhancements, and helping high-potential entrepreneurs to better think about, operate and pitch their business plans to early-stage angel investors and venture seed funds. Unitus will help facilitate access to domestic and international best practices along with peer learning opportunities amongst Speed2Seed partners.

Unitus’ India Impact Acceleration Program is made possible in part by U.S. Global Development Lab, a program of USAID.

ABOUT UNITUS SEED FUND

Unitus Seed Fund is India’s most active seed impact investor, funding startups that leverage market forces to benefit the masses in India. Unitus Seed Fund plans to grow its portfolio of 18 companies to at least 25 startups in sectors including agriculture, healthcare, education, mobile-on-demand, retail & distribution, and access to basic necessities such as water and energy.

Unitus Seed Fund is part of the Unitus Group, a pioneering financial services group, which has placed over $1 billion USD to scale startups in multiple emerging markets since 2000. Unitus Seed Fund has offices in Bangalore and Seattle.

Learn more about Unitus Seed Fund: http://usf.vc

ABOUT CAPRIA

Capria, the first global business accelerator for impact VCs, is a sister organization of Unitus Seed Fund. Launched in September 2015, Capria seeks to fund 10 new impact VC funds around the world, and to help up to 40 fund managers advance their programs.

Learn more about Capria Ventures: http://capria.vc
This survey was conducted to gather data to support our work with incubators and accelerators in India as part of the Speed2Seed program, and to provide general guidance to those participating in the survey and the ecosystem in general, in all cases with the interest of improving the efficacy of accelerators and incubators as they work to help entrepreneurs succeed.

The design of the survey questions and statistical analysis of results was carried out with academic rigor. However, resulting data are presented in a format designed to be easily read and internalized by our partners and practitioners in general. Additionally, some analysis is provided that synthesizes survey results, contemporaneous literature research, and in-depth discussions with 14 Speed2Seed partners and expert advisors between January and October 2015.

INTRODUCTION

Unitus Seed Fund, an Indian-based seed-stage impact investing venture capital fund, launched the Speed2Seed program in order to increase the amount of investment-ready startups graduating from 14 partner incubators and accelerators who are participating in the program. Unitus Seed Fund set out to gain a more in-depth, data-driven understanding of the current incubation and acceleration ecosystem to best inform our program efforts and offer data-informed recommendations to our partners.

We developed our Best Practices study in March 2015 and reached out to 198 leading incubators and accelerators around the world. We closed the survey after collecting 78 survey responses, indicating a response rate of approximately 40%. Of the responses, the global distribution of responses is as follows: 45% from North America (US and Canada), 21% from Asia and Oceania, 9% from Europe, 6% from Africa and MENA, and 3% from Latin America.

Since the launch of Y Combinator in 2005, there have been many iterations and refinements to the mentor-driven approaches to incubation and acceleration, with still more to come. We found that 90% of the entities in the study were founded in 2005 or later, and 100% of those ranking in the top quartile of our success metric were founded in 2008 or later. Our analysis is simply a snapshot in time of a rapidly evolving ecosystem. We expect that the best incubators and accelerators out there are going to develop into significantly different programs in the future.

We’ve learned a lot since the launch of the Speed2Seed program, and we’d like to share some of our findings with you, and to encourage further dialog. In this publication, we highlight some of the key learnings from the survey, regarding:

- Our view of the current ecosystem
- Success metrics based on archetypes and quartiles
- Recruiting of top performers
- Program structure
- Community and investor networks
Additionally, we learned that many accelerators had recently or were in the process of starting sidecar venture funds. That learning informed our decision to start Capria, described here.

We are excited to share our learning with the global accelerator and incubator community. We also look forward to hearing your reflections on these survey results. We hope you find them as interesting and helpful to you as you evolve your business as it was for us.

**DEFINING ARCHETYPES**

Nomenclature remains a common issue in the ecosystem, especially when researchers are involved. The terms incubator and accelerator often become muddled—–in fact, we started calling all incubators and accelerators “inculators” encompass all elements outlined below. We observed significant differences between incubation and acceleration, primarily based on the maturity level of startups entering a program. Rather than relying on self-identified labels of survey respondents, each organization in our survey was categorized based on the following archetype model. While there are organizations that are vertically integrated, we isolated those entities that fit into our archetype model.

![Speed2Seed Archetype Model](image)

Entities were categorized based on the priority they place on accepted startups being in idea-stage, prototype stage, revenue generation or growth stage, with discretion. Each of the archetypes can be described as follows:
• **Co-Working Spaces** – typically open-space offices/centers where entrepreneurs, their teams and advisors can gather and work. They often include shared desks and other facility-based services. Co-working spaces provide the real estate and community for entrepreneurs to independently develop their ideas and work on their startups.

• **Incubators/Startup Academies** – primarily focus on developing entrepreneurial skills and education—they typically take in idea-stage startups and help them sort through their ideation and company development phase, as well as support the development of a prototype, leading into initial market validation. We like to deepen the separation between incubators and startup academies, with startup academies placing much higher emphasis on entrepreneurial education than anything else (though we group them together for analysis).

• **Accelerators** – are more intense programs, akin to a pressure cooker, with a heavy focus on business building, product and market validation, go-to-market strategy, and seeking out investment.

• **Hyper accelerators** – are accelerators that prioritize startups that are already generating revenue in order to reach high scalability, market expansion go-to-market acceleration and acquiring significant, (series A or beyond) funding – these are rare.

**DEFINING SUCCESS**

For the purposes of our study and program, we were especially interested in looking at the percentage of startups that were able to acquire funding after 6 months of graduating from their respective program. We define such an accomplishment as “success”. We know that others may have other success metrics. Surprisingly, we found that while 91% of the entities surveyed kept track of their total graduates, only 63% of the entities were able to or willing to provide the funding or survival rates of their graduates. Of those who were able to respond, the quartile breakdown of the sample is as follows:

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Funded within 6 months (%)</th>
<th>Survival Rate of total grads (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>58.78</td>
<td>82.24</td>
</tr>
<tr>
<td>Q2</td>
<td>43.74</td>
<td>69.92</td>
</tr>
<tr>
<td>Q3</td>
<td>27.56</td>
<td>67.92</td>
</tr>
<tr>
<td>Q4</td>
<td>5.71</td>
<td>77.51</td>
</tr>
</tbody>
</table>

Figure 2. Success Metrics
We found that the top quartile of success was primarily composed of hyper accelerators; the second and third of accelerators; and the fourth quartile of startup academies/incubators. The success metric breakdown based on archetype is as follows:

As one might expect, our data show that hyper accelerators are more successful in graduating startups that go on to obtain significant funding within 6 months of graduation. Still, it's important to consider the types of startups that are selected for these programs. Beyond the obvious factors of maturity of product and team, these are typically more mature startups and are likely past idea-stage, versus what is typically seen in incubators and startup academies. A key question is whether an entity is taking steps towards monitoring the outcomes of their program in order to be able to assess the effectiveness of their program.

**Key Takeaways:**

- Hyper accelerators, who accept more mature startups, have higher funding metrics. This suggests, not surprisingly, that aside from having strong programs, perhaps more mature startups are predisposed to attract funding.
- Hyper accelerators, accelerators and startup academies/incubators’ success metrics are likely affected by the maturity of their participants. Perhaps different success metrics are required to properly demonstrate the efficacy of these entities based on their program outcome goals.
- Incubators need to be clear on how they define success. They need to properly track their participants post-graduation to assess whether their program outcomes are aligned with expectations.

**TOP PROGRAMS STILL RECRUIT HEAVILY**

One of our initial hypotheses stated that those entities who would potentially have strong brand name recognition based on past success wouldn’t have to put as much effort into their recruiting practices as others. We found that this simply wasn’t true. In a given year, hyper
accelerators often receive a median of 600 applications and sometimes up to 1,200 applications; accelerators receive a median of 220 applications up to 600; and startup academies/incubators receive a median of 65 applications up to 200. Mean acceptance rates by archetype come in at 3.36% for hyper accelerators, 6.00% for accelerators, and 20.96% of startup academies/incubators.

While hyper accelerators receive an excessively high number of applications for a given year, they are still the entities that put the highest levels of direct outbound recruiting of startups into their cohorts. We developed a direct outbound recruiting index that reflects the degree of recruiting efforts and the return to effort in the portion of applications received from outbound recruiting practices. Hyper accelerators come in at the top with an index of 9.20, with a recruitment effort level of 4.6 out of 5, with a score of 5 reflecting the fact that the incubator has team members exclusively dedicated to recruiting potential cohort members. The accelerators’ index comes in at 6.38, with a recruitment effort level of 3.26 out of 5. Incubators’ index comes in at 5.58, with a recruitment effort level of 2.83 out of 5.

With such a high degree of applications coming into some of the top programs, it might be assumed that these entities would be able to sit back and open the floodgates to find their ideal candidates. In reality, the most successful programs are putting significant sourcing efforts towards seeking out startups/teams that would be strong candidates for their programs with likely strong outcomes regardless of how well known they might be.

Key Takeaways:

- A large applicant pool doesn’t reflect a quality applicant pool. It’s important to be selective of the startups coming into a program, but also to reach out to startups/potential cohort participants that would be a good fit and have a likely positive outcome of the process (the right team, experience, product, receptive market, differentiation, unit economics, etc.)
- Even the most successful incubators with established brands put a significant amount of effort into sourcing potential startups for each cohort.

SECTOR FOCUS AND STRUCTURE FOSTER VALUE ADD

Deep sector focus oriented towards a startup’s maturity level is a significant value-add for a startup. There is a striking relationship between sector focus and our success metric. We find that 70% of those in the top quartile of success have a deep sector focus; the second and third quartile both have 50% who have a sector focus and only 10% of those in the lowest quartile of success have a sector focus.
By focusing on a specific sector, an incubator can be very specific not only about the startups that come into a program, but they can more efficiently specify which resources and networks are necessary for a startup to succeed in a given sector. The outcome is a more capable focused team, mentors, advisors and investment group that all understand what it takes to be successful in that sector.

Creating efficiency in an incubator can help resource strapped organizations streamline the value-add that fosters startup success. Efficiency becomes a challenge among those organizations that have more of an open-door policy when it comes to bringing in new startups. Our data show that 100% of the first quartile has fixed start dates to their program launch, and this metric descends to 70% by the fourth quartile. As startups join in an unfixed manner, an organization may get pulled from one startup's demands for support to the next. Further, 80% of those incubators in the first quartile of success keep their program duration between 3-5 months; 90% are 6 months or less. Of the last quartile, 50% of those programs last longer than 6 months, with 30% lasting over a year. Streamlining a program can help incubators better allocate their time and resources in a more efficient manner. For entrepreneurs, a fixed and focused time frame in which to hit milestones provides an atmosphere of intensity and set expectations with deadlines that will ultimately define their success in a competitive world.

Entrepreneurs often cite peer-to-peer learning as a significant benefit to startups going through an acceleration or incubation program. Our data also suggests that programs in the first and second quartiles of success have their cohorts gather (in-person) twice as often as those in the last quartile. The top programs are able to facilitate relationship building through gatherings of a cohort, whether for lectures, classes or other events. There is a rising trend of virtual incubation in the ecosystem, but the verdict is still out on whether a virtual program will be able to foster the same value-add as one that is sector focused and well-structured to engage participants in an effective manner.

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Key Takeaways:

• A deep sector focus is associated with higher success metrics. By specializing in a specific sector, incubators are able to streamline resources and target community members that are most relevant and helpful to their cohort.
• Creating efficiency through a more streamlined and structured program can help incubators better allocate their resources to their cohort members.
• Peer-to-peer learning is a great benefit to entrepreneurs. Incubators can help facilitate these relationships through organized lectures, classes and events to engage their cohort.

DEPTH OF COMMUNITY IS KEY

Some of the key players in an accelerator’s community are mentors, alumni, and investors. The depth of engagement with these different players, rather than just the breadth of these relationships, makes the top performers stand out from the crowd.

Of those surveyed, 39% of incubators stick to having 1-3 mentors available per startup, 23% have 4-6 mentors and 36% have 7 or more per startup. Though we believed that the top performing entities would have a vast number of accessible mentors, but we found that in reality, 70% in the top quartile stick to having either 1-3 or 4-6 mentors per startup. The biggest difference between these entities relates to how heavily mentors engage with participants. We find that average incubators’ mentor engagement ranks at 2.5 out of 5. In comparison, accelerator and hyper accelerator programs generally rank mentor engagement at 4 out of 5, indicating deeper involvement with the startups being mentored.

While we hypothesized that the use of alumni would be associated with higher success metrics, we didn’t expect that there would be such a stark contrast between the highest performers and the rest. We developed an alumni index that indicated the number of ways that an entity utilizes its alumni as well as the depth of that engagement. We found that those entities that placed in the highest quartile of success had an alumni index of 13.90 as compared to 5.90 in the lowest quartile. Those in the highest quartile end up engaging their alumni in a greater number of ways and to a deeper extent than those who are associated with lower success metrics. We also find that hyper accelerators typically engage their alumni more than the other archetypes. Hyper Accelerator’s alumni index of 15.40 comes in at almost double the accelerator’s index of 8.55 and almost three times that of incubators with an index of 4.83.
On the investor side of the community, we find that those programs that engage their investors deeply and in a number of different ways are also associated with very large, involved investor networks as well as higher success metrics. We found that for our Investor Index (depth and breadth of relationship with the program), hyper accelerators both involved and engaged investors more than accelerators and incubators, with Investor Index scores of 13.60, 11.31 and 6.42, respectively. Of the top quartile of success, entities will typically engage with well over 75 investors in a given quarter, with some entities engaging with up to 500 in a given quarter, as compared to those in the lowest quartile of success only engaging with 5 to 10 investors in a given quarter.
Come demo day or the equivalent, those in the highest quartile will have somewhere around 175 investors attend, whereas those in the lowest quartile will generally have somewhere between 10-15 investors present at their demo day.

![Investors Present at Demo Day (or Equivalent)](image)

**Figure 7.** Number of Investors Present at a Demo Day by Quartile

Building a sense of community around an incubator is no small feat, nor is it easy to quantify these relationships. That said, these relationships are considered the fundamental cornerstones of a successful program, and they also foster a self-perpetuating truth. Those entities that are successful attract more attention and involvement than those that are not.

**Key Takeaways:**

- The data suggests that the key to mentorship is not the quantity available, but the depth of the relationship with the cohort members. Incubators have less engaged mentors versus accelerators and accelerators.
- Most of the top programs value their alumni’s input, from mentorship and consulting even to sourcing future cohort members. Engaging alumni in more ways can help add an invaluable perspective and resource to a cohort as well.
- The top programs maintain large and strong networks that help to perpetuate successes for the entity. If an entity has produced strong startups, then mentors and investors will want to participate or invest. Mentors and investors who engage on a deeper level promote a virtuous cycle.
IN CONCLUSION

With approximately 3,500 programs listed on f6s.com as of October 2015², standing out in the crowd of incubators and accelerators becomes a daunting task. The ecosystem is very young, with lots of room for growth and refinement. What we have found through this process verifies common sense practice: Actively recruiting experienced, capable entrepreneurs, focusing them with support from alumni, mentors and investors, yields the highest success. Our key findings most correlated with the metric we have selected for success (receiving funding within 6 months of graduation) are:

1. Of the top programs, 70% are shaped around deep sector knowledge.
2. The top programs, regardless of whether they benefit from brand recognition, still put significant effort into recruiting and sourcing potential cohort members.
3. Those associated with high success metrics of funding within 6 months have large networks of investors and foster strong relationships in their entity’s community.

What holds true now may not be true in the years to come, though we believe that programs that support entrepreneurs through fundamental stages of development and facilitate the relationships and networks necessary for success will continue to be the best in the world.

Thanks to those who participated in our study and helped provide us with a strong basis for our continued work to see more startups succeed.

We also encourage all accelerator leaders who have not already started a sidecar fund and who are in the “impact” domain (writ large) to take a look at our new company, Capria, where we have created the first global business accelerator for impact fund managers. You can think of us as a VC for impact VCs.

²https://www.f6s.com/programs
A special thank you to those who participated and/or supported this study:

- 500 Startups
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- Angels Hub
- Arizona State University
- ATP Innovations
- Beta-i
- Bethnal Green Ventures
- BiD Network
- Black Forest Accelerator
- Boomtown
- Catalyzer Startup Accelerator
- Chinaccelerator
- CIBA
- Collabrant Incubators Private Limited
- CULTIVATE VENTURES
- EcoSawa
- endUp Raleigh
- Fledge
- gener8tor
- Global Social Benefit Institute (GSBI)
- IIIT-H Foundation
- IIM Calcutta Innovation Park
- IX (Impact Accelerator program)
- Impact Engine
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- International Institute of Information Technology – Bangalore
- JFDI.Asia
- Jindal Centre for Social Innovation & Entrepreneurship
- JSSATE-STEP
- Kick Athens
- Kick Incubator SF
- Kick LA
- Kick NYC
- Kirlin Partners
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- PIPA
- PSG-STEP
- Sandbox Startups [ A Deshpande Foundation Program]
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- Social Enterprise Greenhouse
- Start Co.
- StartTank, PayPal Incubator
- Startup Oasis
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