

STARTUP CRISIS REPORT

You told us, what you're going through! Thank you!

We received **240 answers**, from 22 countries, all around the globe, mainly from the CEE region, but we got answers from Italy, India, Ireland, Barbados, Uganda, the UK, Russia, France and even from Chile.

What we've learned from you:



For 25% of the respondents this crisis is an opportunity.

All of the companies are working more, with greater concentration and efficiency as a result of the virus, mostly in remote mode. The situation allows them to think "out of the box", also the demand for their service and product has increased.



However, there are those whose current main goal is to avoid bankruptcy.

To do this, they need to develop unusual strategies. In addition to reducing expenses, they are launching webshops, selling coupons that are redeemable later, expanding their portfolios, and training themselves and their colleagues through e-learning interfaces.



What startups are currently need the most is financial help.

Followed by marketing, sales, leadership, but only few deal with cost reduction, increase of sales revenue, preparation of a crisis plan. Preserving sustainability can be achieved by harmonizing sales-cost rate and aligning vision with facts.

We asked the startups to rate on a 1 to 6 scale how much the COVID-19 situation affects their startup.

1 meant 'Does not affect our company' and 6 meant 'It risks the survival of our company'. We see most of the companies are rather afraid of their startup's survival.



78% of the companies said the COVID-19 situation effected their development opportunities negatively and 22% said it affects positively.

"It encouraged us to seek mentoring, assistance and corporate partnerships and to look for potential development opportunities."

78% ● Negatively 22% ● Positively

NEGATIVELY

Approx. four out of five of the repliers mentioned that the epidemic negatively affected them.

In what ways? To sum it up, they added the following reasons:

- Loss of sales, orders are cancelled
- Lack of personal meetings affects sales
- Lack of new contracts, no new leads in sales
- Dropped MRR

These factors are mostly sales- and revenue-related. Very few replies were about lack of workforce and stopped product development.

"We needed to pause our services."

"Several potential customers suspended their projects therefore our offers are stalled."

"In the short term we expect increased expense overheads and cash burn because of reduced sales revenue."

"My job includes visiting private properties and small businesses which I can't do now."

"It cuts all our short-term plans and putting all our long-term plans under question."

POSITIVELY

Almost 30 percent of the repliers mentioned some positive effects of the epidemic. Interestingly, here the responses were mostly about product development, such as:

- More time to plan the product
- More time and opportunities on pivoting new ideas, features, etc.
- Time to concentrate on design
- Possibility to finetune the roadmap

"Now we have time and focus to renew the design and some functions of our product."

"Edtech market will be bigger, that means our market will grow too."

"We mainly focus on supporting the most vulnerable groups of society with cash donations so that they can cover their needs."

"This situation makes us think out of the box, considering our startup idea for 'good cause', like pandemic relief, informing society - it opens up opportunities!"

"It encouraged us to seek mentoring, assistance and corporate partnerships and to look for potential development opportunities."

The generic advice for such a crisis is to use the time to concentrate on all those aspects of the product that you labeled as important but not urgent, and when the leads are coming again, you can present a more mature and better-polished product.

Financial support is what they need the most

The startups marked their biggest concern about the situation is a potential financial crisis with **65%** and then comes the lack of financial support with **11%**.



Due to the drop in revenue most companies need financial help, **76%** of the startups are looking for financial support.

Other than financial help they need mentoring, community and trainings on how to use this period best. So a program which offers connection to possible financial help while connecting these companies to mentors who can offer crisis management, re-planning and restructuring, also digitalization advices may help these firms greatly.



The areas they most likely lost in are finance, investments, sales, marketing and leadership strategies. This means they're really focusing on to keep their businesses going long term.



They indicated that because these are the areas where they suffered the biggest loss. Some firms might not have all the necessary knowledge in these areas, this is where the greatest added value can be given to them.

And last, but not least read some fears, positive thoughts and future predictions from the startups.

"We're trying to be as prepared as we can for the relaunch of normal life, cutting the non-essential costs where we can."

"We're working on an eBook, that helps our target audience in financial questions."

"We're designing new products in the hope that there will be a demand for them after the crisis."

"Our team's replaced the stocking strategy and increased our inventory, so in case the import stops we still can operate."

"We focus on working with minimal loss during this period and aiming to keep all the employees."

"We reduced our working hours and working from home where possible, also reduced number of people in office."

"Right now, I feel that this virus could help me to achieve my goals quicker."

"When the state of emergency is over, we hope that the job will work again as before. Obviously, we will need more effort to get back on our feet."

"I have a fear for the tourism industry, since we have recently begun our investments in that field."

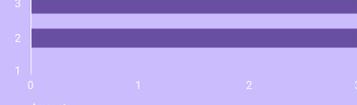
All in all, most companies fear that they run out of funds, this is their greatest fear. One third of the companies see the positive aspect of the remote work that they have time to do those things that they usually don't have time to do, mostly product design, roadmap refinement, going deeper into the product's features and so on. This is a good habit; we might be able to help those who don't see this as a positive side to utilize their existing resources for those items that due to urgent project issues they never had time to do.

Moreover, because some feel that in the time of crisis they are left alone, they may need professional help in creating helpful communities, getting workshops and mentoring on financial planning, pulling in investments and doing more effective digital sales and marketing campaigns.

This report wouldn't be complete without the other side, so we asked 8 Hungarian investors to share their thoughts on the situation.

"Each case is unique"

We asked the investors to rate on a 1-5 scale that how much the crisis affects the investment plans of their funds.



89%

11%

We were curious about how they support their investments during this situation.

89% of the investors make sure that all their investments receive a personal, tailor-made support plan in order to survive, the rest **11%** said they only give individual support for the ones who requested it.

● We give for all investments a personal, tailor-made support plan.

● We only give individual support for the ones who requested it.

Have you introduced any crisis disposal changes related to your investment management?

Based on their answers, everyone must reconsider their plans due to the Covid-19 pandemic.

"Not yet for existing portfolio companies. For new potential target companies, of course, part of the business plan assessment is how the team will overcome / benefit from the expected effects of the crisis."

"A more conservative approach to sourcing than ever before.."

"Portfolio companies need to develop a COVID scenario in their business plan. On this basis, a decision can be made on additional funding, possibly a restructuring of milestones."

"No. It is not worth talking about general things, each case is unique. The general guidelines for investments are always made by the CEO of the company, and the investors agree. Of course, we indicate where we see the need for immediate intervention."

"No, but we launched daily live interviews to learn from each other among startup leaders"

In conclusion the virus affects all of the investors' obviously, but they evaluate every startup's case individually and they're aiming for the best decisions. In case of new investments we can predict some fallbacks, but the investments won't stop, and the market will stand up again soon.

240 answers

More than **58%** of the respondents are idea phased companies with an annual revenue under **100.000 euros**.

The most common fields they are operating in are

- 22% Business products and services
- 12% Work
- 6.5% Health
- 6% Retail
- 12% Other
- 20% Consumer products and services
- 10% Construction
- 6.5% Education
- 5% Agriculture

72% of the respondents are CEO/Owner and other 17% works most commonly in a manager or director position. But in the remaining 11% we also received answers from legal, marketing, tech departments and even from a chauffeur too. :)

- 37% CEO/Founder
- 35% Owner
- 17% Manager/Director
- 11% Other

23% are working in the B2B2C field, 15% in the B2C and 60% in the B2B, the rest 2% is C2C and B2G businesses. *

- 60% B2B
- 23% B2C
- 15% B2B2C
- 0.4% B2G
- 1.6% C2C
- Didnt fill

* B2B2C means Business to Business to Consumer
B2C means Business to Consumer
B2B means Business to Business
C2C means Consumer to Consumer
B2G means Business to Government