Off to a great start
The Philippine startup ecosystem

61% are planning to enter new territories outside the Philippines
63% are planning to raise fresh equity to finance their growth

www.pwc.com/ph/startup
The Philippines is a country brimming with entrepreneurial potential. We have the talent, the motivation, the drive, and the optimism of a young population. And yet, startups are a facet of the local economy that, up until recently, have largely gone unnoticed. As a consequence, their potential remains largely untapped.

Now however, more and more millennials are choosing to take a different path to establish their own companies, using new technologies that have the potential for regional and even global application. An entire new industry is born. By supporting startups, we can unleash the potential of our fellow Filipinos, and the Philippines can take its place as a player in the new innovation-driven, tech-centric world economy.

The first step is collaboration. By combining the efforts of both the public and private sector, we can work towards creating more startups and success stories that others can emulate and follow. This land-breaking report is a milestone and will finally give everyone much-needed data on the Philippine startup landscape.

It is with great pride therefore that QBO Innovation Hub, a partnership among IdeaSpace Foundation, JP Morgan, the Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), and PwC Philippines, the DTI and DOST present the 2017 Philippine Startup Report, the first formal study of the local startup scene. We thank the PwC and QBO teams for their hard work in producing this study.

Through insights gleaned from this report, we hope that the government and private sector can continue to collaborate to support entrepreneurs in turning their ideas into reality. By working together, we can change the world.

Rene “Butch” Meily
President
QBO Philippines, IdeaSpace Foundation Inc.

The startup ecosystem in the Philippines is like our geology and geography – young and fragmented. Unlike geology and geography where things are pretty fixed, the great thing about an ecosystem is it’s dynamic and the power people can do to change its condition. When IdeaSpace started five years ago, it was challenging for early players and us to connect the dots. Because of collective efforts of various organizations, there are now more technology entrepreneurs and entrepreneur support organizations; some dots are not too far apart as they were in the past.

The fruits of collaboration don’t happen without collision of ideas, exertion of effort and resources. The 2017 Philippine Startup Survey is a joint effort of the people behind PwC Philippines, QBO, and IdeaSpace. It stemmed from a discussion that took place at the launch of PwC Philippines’ Venture Hub in March. I remember clearly that we asked ourselves if we had enough time and resources to come up with a report in time for Slingshot in October. Thanks to the audacity and dedication of the persons assigned to the project, objectives and target dates of completion were met. I’d like to make special mention of Trissy Rogacion (PwC), Goldy Yancha (IdeaSpace), and Adrià Villarroya (QBO) who collided and collaborated in the last seven months to make this happen. Their passion and dedication to make it happen are laudable, all their bosses had to do was support, let them breathe, and get out of the way.

Of course, without the cooperation of the entrepreneurs and the startups they represent, the entrepreneur support organizations, government and academe, this report would not have happened. Thank you to all who have contributed to each data point in this report.

The journey though is not going to get any easier as the landscape is VUCA (volatile, uncertain, complex and ambiguous). More partnerships have to be formed. So, my prayers and wishes are for all of us to continue to work on paving the way for Philippine-based technopreneurs and their innovations so that they can prove their impact on creating greater business value and a brighter future.

Diane D. Eustaquio
Executive Director
IdeaSpace Foundation Inc.
The Department of Trade and Industry (DTI) champions the need for innovation in local trade and industry, and even includes it as part of our trade agenda of boosting the development of Micro, Small, and Medium Enterprises (MSMEs) in the country.

The nature of innovation is about entrepreneurship, and at the heart of the innovation process is the skill to spot opportunities, even as we create new ways to take advantage of these opportunities. We believe that innovation driven by entrepreneurship, and mixed with vision, passion, energy, enthusiasm, insight, judgment, and plain hard work can turn good business ideas into a reality.

The government will champion the concept of inclusive innovation, which actively includes people at the bottom of the pyramid who are excluded from mainstream economic growth and development. The creation of new business ventures and the push for innovation in existing MSMEs are critical parts of an inclusive innovation process, and should be the central focus in government strategies to promote inclusive innovation and entrepreneurship.

More importantly, new firms and innovating MSMEs are agents of change in the economy, as they introduce new products and services, as well as more efficient ways of operations.

As part of our efforts to push for greater innovation among our MSMEs, DTI—together with other government agencies like the Department of Science and Technology (DOST)—has been implementing measures to actively promote innovation while also creating a supportive innovation ecosystem.

There is Slingshot Philippines, a shared work program launched in 2015 among ecosystem players focused on transforming the digital space into a creative mecca for technopreneurs, innovators, and investors. There is also the QBO Innovation Hub, a collaboration between DTI and Ideaspace Foundation to establish an innovation hub for startups and innovation entrepreneurs.

We are confident that with the demonstrated capacity of the Filipino in terms of creativity, talent, and hard work to be innovative and entrepreneurial, plus the continued partnership among stakeholders, we can build an inclusive innovation and entrepreneurship ecosystem that can help in the development of MSMEs.

Doing this would support our goal of creating globally competitive and innovative industries, attract investments, create more and better jobs, and generate shared prosperity for all.

Thank you and mabuhay!

Ramon M. Lopez
Secretary
Department of Trade and Industry

Innovation is now taking center stage in the country’s policymaking that is directed towards socioeconomic development. This springs from the Philippine Development Plan from 2017-2022, specifically in Chapter 14 which upholds the vigorous advancement of Science, Technology and Innovation.

Indeed, there has been a considerable advancement in the country’s ecosystem which we can attribute to the fusion of science, technology and innovation. And the most significant of these growth patterns is the realization of the role of science and technology as applied to business.

In all these, we also see the engagement and collaboration of the private sector in our activities as a critical factor to creating a robust entrepreneurial environment in the country as we all put our stakes in making the Philippines become a startup region within ASEAN.

The Department of Science and Technology shall do its part in attaining such status through support to technology commercialization including new and improved technology based products. It has been a fact that the Philippines holds advantage by having a young population that is highly engaged in the internet, a digital infrastructure and an environment that certainly provides ease of doing business. All these contribute to a positive business climate which has resulted to increased number of entrepreneurs, employment, rise of different industries as well as active investors.

Beyond these, the DOST shall help in creating and sustaining an entrepreneurial culture and encourage young Filipinos to venture and start their companies locally with the help and support of our technology business incubators (TBIs), with all the mechanisms that we have set up for this purpose.

The publication of the 2017 Philippine Startup Report which presents the current status of the startup ecosystem in the country has come just at the right time. There has been development through this sector and it is our hope that the report will encourage more to join the startup community. Also, may everyone realize and appreciate the entrepreneurial environment that has been set up especially for those whose agenda includes not only having a robust source of livelihood but also contributing to the country’s development on the overall.

Congratulations to the QBO Innovation Hub and PricewaterhouseCoopers Philippines (PwC) for initiating this 2017 Philippine Startup Report. This is an indication of your commitment to facilitate the growth of startups and entrepreneurs. The information from this report will definitely be useful as we work towards building a more technology-empowered and Filipino-made companies.

Prof. Fortunato T. De La Peña
Secretary
Department of Science and Technology
About the survey

We have been working on a series of annual CEO surveys in the Philippines for over three years. Having seen the growing impact of technology and innovation on companies, the government, and society, we thought of getting the insights of our startups, and understand their motivation, their challenges, and the journey they decided to take.

From providing online and technological solutions to disrupting design and traditional industries, our startups understand the value of continuous innovation and delivering the right customer experience or the experience that customers really want.

While access to capital or the right investor partner remains a key challenge, our startups remain ambitious. Their goal is to be a sustainable business – fast.

Collaborating with corporates, mentors, the government, their customers, and potential customers crafts the vibrant startup ecosystem.

I’d like to thank the admirable 106 CEOs and founders who have shared how they think with us. We’d also like to express our sincerest gratitude to the 22 founders, investors, and accelerators who have allowed us to tell their stories and personal aspirations.

I’d also like to thank specially QBO for the privilege to serve as the Knowledge Partner for Slingshot 2017.

I hope that the stories will inspire other startups, investors, corporates, and the government to work together, and build great companies to provide more opportunities for our fellow Filipinos.

Atty. Alexander B. Cabrera
Chairman and Senior Partner
Isla Lipana & Co./PwC Philippines
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Starting a startup

The Philippines

- 100.9m Total population (as of July 2017)
- 6.5% Real GDP growth rate (2017Q2)
- 6.6% Unemployment rate (2017Q1)
- 3.2% inflation rate (2017Q1)
- US$1.6bn Net foreign direct investments (2017Q1)

Source: Bangko Sentral ng Pilipinas
In a country where almost half of the population belongs to the middle class, Filipino children were traditionally raised to become professionals, work for big companies, or even move overseas.

In recent years, however, the spirit of entrepreneurship has started to spread, as seen in the growing number of micro, small, and medium enterprises (MSMEs) in the Philippines. At present, there are over 900,000 MSMEs, representing over 90% of all Philippine enterprises, and accounting for 70% of total employment.

Similarly, the Philippine startup ecosystem grew as more startups were launched in recent years. Our findings show that 54% of our founders say that they launched their startups between 2016 and 2017.

It is also interesting to note that 87% of our founders had worked outside their startups, showing that employees are transitioning to becoming entrepreneurs. This is also indicative of the high level of confidence in the country's economy, government, and general business environment.

Despite the global and local uncertainties in 2016 such as the Philippine elections, US elections, and Brexit, most of our founders still started new businesses in this period.

With the rising number of entrepreneurs in the Philippines – both in the traditional and technology sectors, the government launched programs to help strengthen their businesses and compete with foreign players. These programs include the P3 Program, Kapatid Mentor Me Program, Go Lokal Program, SME Roving Academy, Shared Service Facilities, Go Negosyo Act, Slingshot Philippines, and QBO Innovation Hub.

**Kapatid Mentor Me Program**
- A coaching and mentoring approach where large corporations teach MSMEs on different aspects of business operations

**GO LOKAL!**
- A retail concept store showcasing quality and innovative Philippine products crafted, designed, and produced by the country’s MSMEs

**SME Roving Academy**
- A continuous learning program for the development of MSMEs to become competitive in the domestic and international markets

**P3 Program**
- A funding program to provide microenterprises an alternative source of financing that is easy to access and made available at a reasonable cost

**QBO Innovation Hub**
- DTI’s support to the startup community, particularly targeting startups with viable business propositions

**Shared Service Facilities**
- A shared system which provides MSMEs with machinery, equipment, tools, systems, skills, and knowledge

**Slingshot Philippines**
- A two-day summit which gathers young minds, innovators, investors, and policymakers

**Go Negosyo Act**
- An act that fosters national development and inclusive growth, by encouraging the establishment of MSMEs

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**Department of Trade and Industry’s initiatives and programs**

Source: Department of Trade and Industry
Our founders understand that experience plays a major role in ensuring success. In our survey, 66% of our founders say that they started other businesses prior to operating their current startups. Most of them also said that the last startups they founded are still operating, and are either gaining traction or running in a stable manner.

Sixty-four percent of our founders have bachelor’s degrees as their highest level of education, and 25% have master’s degrees. Despite the fact that our respondents’ startups are driven by technology, only 27% of our founders have degrees related to information technology or computer science. Other academic backgrounds include business and engineering.

Because universities focus on traditional programs, the Philippine government approved the Youth Entrepreneurship Act in 2015 to promote the sustained development of young Filipinos in the areas of finance and entrepreneurship. Through this Act, the government intends to change the mindset of Filipinos – from wanting to be employees to being business owners. Initiatives under this law include standardizing the current programs of schools on entrepreneurship and financial literacy, providing government assistance and training programs to students, developing mentoring and coaching programs for young entrepreneurs, and setting up incubation laboratories and creative spaces in schools.

“So what should we tell our children? That to stay ahead, you need to focus on your ability to continuously adapt, engage with others in that process, and most importantly retain your core sense of identity and values.”

Blair Sheppard
Global Leader, Strategy and Leadership Development
PwC
Focus on talent

1. Understand the skills you have in your organization now (not just the roles your workers currently do) and the gaps in the skills you will need in the future.

2. Redesign traditional ‘one-size-fits-all’ HR programs and policies to deliver on new learning and development models, career paths, and capability models.

3. Strengthen innovation, creativity, empathy, and leadership capabilities in your business alongside critical technology skills.

4. Build and nurture adaptability in your workforce by harnessing a flexible talent mix, new ways of working and learning, and radically different career paths.

5. Make talent and capabilities management a matter of urgency – or risk losing the battle to harness technological breakthroughs and innovation.
Gamifying science for the young “engineers”

Joshua De La Llana, Co-Founder

Seeing that teachers have difficulties teaching science, and children are not that excited about science and engineering, Joshua De La Llana created IQube in 2014, an educational toy that safely engages children in electronic circuit building and application. Tactiles has sold US$150,000 worth of IQube units in 30 countries to date.

Joshua shares the story behind Tactiles: “My background has always been engineering. I was exposed to the education industry even before starting Tactiles. I saw the challenges in the academic sector not only here, but also abroad. Specifically, I saw that educators had difficulties teaching science and engineering.”

Tactiles’ objective is to help uncover children’s passions in these fields, and help veer them away from the assumption that science and engineering are hard subjects. “What we don’t like to happen is someone who enjoys engineering, enjoys playing with science, enjoys making something, but is discouraged from pursuing science or engineering because of the general assumption that those are difficult subjects or sectors. We wanted to make a kit that makes it easy for them to realize their passion in science and engineering,” he says.

Through the IQube, children are exposed to structured projects allowing them to learn about electricity in a fun manner. IQube’s projects are also aligned with the Next Generation Science Standards and the K-12 curriculum.

Joshua says a startup needs other people aside from its founder. “All of the challenges in the company can be summed up by a simple statement – we don’t know everything. I have an engineering background, but I didn’t have the experience or knowledge in design as well as software development. Back when we were starting Tactiles, the first order (of the day) was to find people who have these background, and who are really good.”

Joshua says that soft skills are just as important as technical skills.

“There are many things that we do not know. We need to find people who feel good in the unknown. These are the people who can handle chaos. These are the people who do not suck up when they fail. These are the people who, that even if they fail, do not let the emotion of failing stop them. These are the people who are confident with the idea that we can go bankrupt, but it will be fun. We need people who are willing to invest money, time, and opportunity so they can invent,” he says.

Asked how he found his core team, he shares:

“Interestingly, these are the people whom I have also worked with before. In a way, your network is self-building and self-fulfilling. You tend to align with those who have the same characteristics. Since I was young, I have really liked solving problems and making things. I am actually a little bit of a risk-taker. As such, my friends and colleagues also have similar personalities. They were the first group of people that I worked with when I started the company.”

Transitioning from a founder to a leader has been a continuous learning process for Joshua. “It’s really the entire team stepping up – regardless of whether it’s our expertise or not. If something is needed in marketing, we do marketing. If something is needed in sales, we do sales. If we need to wash the dishes, we wash the dishes. Because we do a lot of these things, regardless of the field, we tend to learn more about a wide variety of things instead of just focusing on one segment. In a way, this approach allows me to make better decisions because I can step back, look at everything, and see problems in the business as a whole,” he says.

For Joshua, starting a startup requires one to dive headfirst into the project. He shares his advice with those who plan to start one: “Quit your jobs and start. Yes, it is stupid economically, but I think that is the best advice I can give. This is the fastest way for you to realize if this kind of lifestyle is for you. You make the best decisions when your life is on the line. You also tend to realize what really matters to you when your life is on the line – when you don’t have your day job to feed your family and yourself. You will realize if you really want this. Take the full risk. Take the first step and risk everything.”
Having noticed colleagues’ parking problems, Martin Luchangco developed Fetch Valet in 2017, a real-time and on-time valet service with the goal to offer fast and convenient parking for clients.

“I was working in an insurance company in BGC (Bonifacio Global City). I was lucky that I had my own parking space. My colleagues, however, had no assigned parking slots, and they had to excuse themselves from meetings or stop what they were doing just to move their cars. I found out that they had to move their cars every four hours to avoid expensive parking bills.”

To help people save time and resources, the company’s valets wait for their clients at the destination, then park the cars in secure parking lots. Also, valets signal cars to collect clients who are ready to step out of buildings. Fetch charges PHP45 per pick-up and an additional PHP15 for each hour to cover parking and service fees.

To address possible security issues, Martin shares: “We carefully screen our drivers. Through our manpower agency, we ask for an NBI clearance, a police clearance, medical exams, driving tests, and residence verification; then we conduct other employee verification procedures. To ensure that our clients hand their keys to our valets, we send pictures of assigned drivers. We’ve also partnered with BPI MS Insurance to cover the possible damage that our drivers may cause.”

With friends as his first clients, Martin shares how Fetch has expanded: “When we started, the drivers were myself, our family driver, and his cousin. We started with my friends as the first users. Now, we have over 200 clients. On a daily basis, we get around 30 to 35 users.”

When asked about his plans, Martin replies, “We operate in BGC for now. We’re planning to launch in Makati and Ortigas before the year ends. We’ve also been getting calls, asking us to launch in Alabang and other areas. After Metro Manila, we plan to take Fetch nationwide or even to other Southeast Asian cities. We have yet to see if Cebu will be a priority over Kuala Lumpur or Jakarta. We feel that the dynamics of urbanized centers are the same – there’s not enough parking for all those who drive cars. Parking is a need in every city – whether you’re in a Third World or First World country. Aside from growing geographically, we also plan to expand our service portfolio. We plan to even take the cars to the gas station, have them washed, and help with the regular maintenance and LTO registration—anything people need for cars.”

With Martin’s big plans for Fetch Valet, he admits that technology plays a key role in their growth. “Now, the app is still very simple. We started low with tech, then slowly improved it. We started with Viber. We have a good tech team working on our future developments. We plan to integrate Waze to determine the estimated time of arrival. We also plan to integrate the security features in the app as well as use body cameras for the drivers.”

Having no tech background, Martin shares these pieces of advice with aspiring startup founders: “Have a minimum viable product.”

“Almost any great idea, tech or not, can be validated even without having to build a product. You should validate your idea before investing too many resources or before quitting your job.”

“Find mentors and people who are supportive. There are lots of ups and downs in the startup journey. It’s always good to have someone to consult when you hit a wall. Lastly, don’t underestimate the power of asking. You can get a lot of things just by asking.”
While technology is the backbone of today’s startups, our founders understand that running a business requires other skills aside from IT or software development. Twenty-seven percent of our founders say that three members composed their founding team, and 26% say that they had five members in the founding team. Our founders understand that they need to complement each other, and have identified software development, entrepreneurship, sales, marketing and branding, and client management as the key skills of the founding team.

It is surprising, however, that only 31% say that financial management was part of their founding team’s skills. Financial management is essential in launching and running businesses. Financial planning and management will help build long-term models, and will help determine the monetary impact of each decision. Proper monitoring and understanding of financials will guide the startup with decisions related to pricing of services or products, capital raising, hiring, and cost management.

Having a viable idea or product, market opportunities, and the desire to shift from employee to entrepreneur were the top three reasons why our founders started their businesses. In our current environment, launching a startup no longer follows the traditional ways of starting businesses, which normally require initial investments and capital expenditures. Having a minimum viable product or MVP allows a startup to have a collaborative approach in developing the product or service through early discussions with customers. An MVP also minimizes the risks because if the market is not interested, the startup can decide to shift to other products or services. Using the MVP approach, however, will still require a process. Through this approach, founders should understand the product requirements, build solutions, and validate solutions with customers. The MVP approach may require founders to restart the process, but this allows them to minimize development costs, and learn from mistakes.

Despite having market opportunities, 88% say that access to capital was the top challenge when they were launching their startups. Given that 43% of our founders are still in the pre-revenue phase, and 37% have annual recurring revenues below PHP 2m, raising capital may still be a challenge because most investors still require adequate levels of annual recurring revenues, stable profit levels, and reasonable growth prospects.
As an alternative to external equity and debt financing, some startups in the Philippines participated in pitching competitions, and availed themselves of grants. Some accelerators also provided equity-free cash funding to startups who met their criteria. Recent competitions include Startup Summit 2017, Geeks On A Beach Pitching Competition, Ignite PH, and Techtonic 2017.

To help qualified startups and MSMEs, the Philippine Senate recently approved Senate Bill No. 1355 or the Philippine Innovation Act. Through this Act, the National Innovation Council will establish and administer the Innovation Fund that will be used to finance PPhP1bn worth of innovation grants to qualified entrepreneurs and businesses. Aside from funding, the National Innovation Council will also develop programs for MSMEs that will include coaching and mentoring in the areas of design, technology, standard business practices, accounting, project management, quality control, and management.

Our founders say that the available market, availability of talent, and low barriers to entry helped them start their businesses. Through digital advancements, the capital requirements for technology-related businesses are now lower. With cloud and other shared services, investments in IT infrastructure may be at minimal levels. The available connectivity solutions also allow startups to collaborate with more talent while minimizing hiring costs.

In the 2016 World Bank-International Finance Corporation Doing Business Report, the Philippines ranked 103rd among the 189 economies. Such report ranked the economies in terms of how easy or difficult it is for a business owner to start and run SMEs. To help improve the ease of doing business for startups, the Innovative Startup Act was proposed in August 2017 to provide incentives and remove constraints. The Act aims to encourage the establishment of innovative new businesses, and help develop an ecosystem that fosters an entrepreneurial culture in the country. Once passed into law, the Act will waive the application and permit fees, expedite the processing of permits, and provide certain subsidies and incentives to qualified startups.

In other Asian countries such as Singapore and Malaysia, intellectual property (IP) financing was set to promote innovation among small and medium companies. Through IP financing, financial institutions recognize intellectual property as an asset that may be used as collateral to avail bank loans. Examples of intellectual property include granted patents, design rights, trademarks, and copyright.

Recent startup competitions in the Philippines

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<td>LBC Mobility Challenge 2016</td>
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Sources: Organization websites and news

“If the Philippines really wants to be big, startups need to solve relevant problems, provide worthy products/features, and create sustainable businesses. I think this is something that a lot of startups should be aware of. Instead of so eagerly focusing on getting funding, they should focus on their core. Once you’ve built the core, it’s easy to make money chase after you.”

- Anonymous
Uplifting farmers' lives through FinTech

Ruel Amparo, CEO and Co-founder

Seeing his grandparents’ difficulties in availing themselves of and settling loans for their farm, Ruel Amparo developed Cropital to help improve the finances of farmers through crowdfunding. Through Cropital, farmers have access to financing at lower-than-market interest rates.

“My grandparents owned a small farm in Bulacan. Since we’re not really rich farmers in that area, the planting and harvest seasons were the times when we availed [ourselves of] and repaid our loans. Growing up, I saw it as an opportunity. If you look at the interest rates that we, as farmers, were paying, they were quite high. We were paying monthly rates of around 5%, and sometimes 10%, depending on who the lender was. I believe that farmers, though not everyone, are not that risky, and we can lower the interest rates. We can also improve the terms to make them more ethical and better for the farmers. That inspired me to start Cropital.”

Through their crowdfunding platform, investors can invest or pledge a minimum amount of PHP 5,000 in the farms they’ve selected. Investors wait for about three to six months for the harvest as well as the return of their capital. Since their founding date, Cropital has helped fund over 100 farmers. “We have been providing funding to farmers for four cycles already. We have funded over 100 individual owners of rice farms, and two cooperatives. We can say that we have reached almost 1,000 farmers in terms of impact,” he says.

When asked how they’ve helped change lives, Ruel replies, “In a more general case, the impact that we are seeing is a number of our farmers have transitioned their loans. Before, a farmer was getting a loan at 25% per season – that’s 5% per month. When he transferred to Cropital, the rate was cut down to almost half. The farmers that we have are transferring to a more sustainable source of financing.”

Aside from reasonable interest rates, Cropital also provides valuable services to their farmers such as giving access to agriculturists, training, updates on weather forecasts via SMS, livelihood programs, and crop insurance policies.

These seemingly perfect arrangements, however, come at a cost.

“One of the key challenges we face is the unpredictability of weather conditions. Another difficulty is tapping other farmer communities, given that the infrastructure on the ground is not yet that intact. Right now, there are lots of different organizations such as cooperatives, farmers’ associations, etc. There are a lot of dysfunctions, and we are still in the process of assessing which types of organizations to tap.”

Having raised PHP 8m through their platform, Ruel shares that they have bigger dreams for farmers and for the country. “We are looking to accelerate soon. We plan to reach 15,000 to 50,000 farmers in three to five years.” To reach this, Cropital plans to focus on rice farmers to have a manageable structure.

“It will be easier for us to tap more farmers, and the products will be more streamlined if we focus on one product. We are also focusing on developing our technology to allow us to work with less manpower on the ground.”

Ruel shares that their team structure plays a major role in their startup. “There are two perspectives in our business – one is more on the farmer side while the other is on the technology side. One side is looking at our business’ sustainability and profitability, while the other is focused on doing its main purpose – to help the farmers. We complement each other.”

Having been recognized as one of the most successful startups in the Philippines, Ruel advises aspiring entrepreneurs: “If you are still looking for an idea, it should be something that you are obsessed about because it’s a commitment. Second, be persistent. Never let challenges hinder you from continuing the journey. Lastly, look for mentors who have done those things already. Talking to someone with years of experience will provide you with more insight. It’s banking on those people who can help you go a long way.”
**MiCab**

Lower fares and no “surge”

**Eddie Ybañez, Founder and CEO**

Knowing the hardships experienced by commuters, Eddie Ybañez developed **MiCab** – an on-demand cab-hailing platform with the goal to maximize commuter experience at an affordable price.

“We started MiCab in 2012 as a cab hailing device. However, with the new Transport Network Companies, we decided that we need to be sustainable, and that’s why we focused on business-to-business solutions. We created MiCab as a platform to serve different industries, not just for transportation. Currently, we have logistics applications, and health care applications.”

Eddie shares how they grew MiCab despite the presence of big players such as Uber and Grab: “Each city has its unique problems. In Cebu and Iloilo, the problem is really convenience. In Manila, the usual issues are related to customer service. The technology that we designed handles both challenges. We started in Cebu where we focused on convenience. In Manila, we changed the technology to address customer service problems. Since Uber and Grab are big in Manila, one of the challenges was generating revenues. This is why we decided to focus on advertising as our main revenue stream, and not booking fees.” Aside from its low booking fee and zero price surge, MiCab’s features include a call and chat system, credit/debit card payment options, passenger reward system, and one-push emergency button for passengers. Through MiCab’s LED signages on cabs, 20-second advertisements are flashed on a screen every ten minutes. The cabs will also be equipped with tablets that will feature advertisements.

With the change in its business and operating model, Eddie shares his plans for MiCab: “Currently we have around 600 cabs in Cebu, and 250 cabs in Iloilo. In Manila, we will start with 3,000 cabs, and eventually grow into 7,000 cabs by the end of 2017. After we stabilize our cab-hailing application, we plan to focus on other areas or industries that can use our platform. We’re looking at logistics, services, food, healthcare, and most importantly, advertising.”

When asked about the advantages and disadvantages of being based in Cebu, Eddie replies, “Some say Cebu is the perfect ground to test your products or services because consumers look for value-for-money services. As they say, if you can survive in Cebu, you can survive anywhere. One of the disadvantages, however, is the lack of access to funding because most investors are based in Manila. This makes it challenging for startups to grow and scale.”

Having grown their solutions and user base, Eddie advises other startup founders: “Create, measure, adapt, and learn. After creating your product, you need to measure your results, and gather customer feedback. From there, you need to adapt – either pivot and learn using whatever data you’ve gathered.”

“We partner with existing industry players in each venture that we have. We’re a technology company, and our expertise is to create solutions for them. In return, our partners bring in their expertise in their own fields, allowing us to build the perfect solutions for their needs.”

With plans of having more than 7,000 taxis by the end of the year, and entering new industries, Eddie shares his vision for his business. “We want to be the ultimate platform and partner of businesses who need to connect to their consumers. With our technology, our business partners will become more reachable and accessible, allowing them to deliver quality customer service. We will grow together with our partners.”
Off to a great start: The Philippine startup ecosystem | PwC

Palawan International Business Incubator cum Startup Hub (Palawan ITBI) launches
(February 2016)
The country’s first international ICT business incubator to help local
technopreneurs develop their ideas and products at world-class levels,
to be operated under the MAD incubator management framework

Facebook Philippines opens its first office in the Philippines
(April 2016)
Facebook opens its first office in the Philippines, with Digs Dimagiba serving as Country
Director of the Philippines for Facebook

Innovative Startup Act
(June 2016)
Innovative Startup Act intends to create an innovation council and
provide benefits to the Philippine Startup Ecosystem by creating a fund for grants

DOST, DTI, J.P. Morgan and IdeaSpace launch QBO Innovation Hub
(August 2016)
QBO seeks to develop, grow, and scale a competitive startup ecosystem
in the Philippines by encouraging OLLABORATION,
developing the startup QMMUNITY and providing INQBATION

SlingshotMNL, RA 10667, and Startup Roadmap
(3rd quarter 2015)
SlingshotMNL debuts
R.A 10667 or the Philippine Competition Act ensures efficient
and fair market competition among businesses
Endeavor enters PH
(January 2015)
Endeavor, a leading high-impact entrepreneurship movement,
made the Philippines its third Southeast Asian country affiliate

Alpha Startup Bootcamp launches
(November 2015)
DOST-ICT conducts the first Alpha Startup Bootcamp
in Cebu in collaboration with 1337 Ventures of Malaysia

Kickstart Ventures invests and
Manny V. Pangilinan launches IdeaSpace
Foundation
(March 2012)
Kickstart Ventures is a wholly-owned venture capital
goof Globe Telecom that invests in digital startups from seed
stage to post-series A
IdeaSpace is a startup incubator launched as a non-profit foundation

Google Free Zone
(November 2012)
The Philippines becomes the first country
to get Google Free Zone

Philippine Emerging Startups Open (PESO)
(April 2005)
PESO encourages participants to think of promotion
and adoption of research and development
outputs to business ventures

Present

PLDT Voyager Innovations and Google Launchpad Accelerator Program launch
(January 2017)
Voyager Innovations, the digital innovations arm of PLDT and Smart
Communications, builds mobile-first platforms for startups.

Google Launchpad Accelerator awards startups with US$50,000
(equity-free) investment and mentorship for six months

Philippine Innovation Act
(February 2017)
The Act aims to establish innovation policies, and build
mobile-first platform that addresses challenges such as access to finance,

The Innovative Startup Bill (Senate Bill No. 175),
and PwC Philippines launches VentureHub
(March 2017)
The Innovative Startup Bill exempts startups from paying taxes
and provides funding for innovation

VentureHub@PwC PH is a one-stop-shop approach to offering solutions
to startups, SMEs, and entrepreneurs who want to grow and
professionalize their businesses

TECHtonic 2017
(February 2017)
TECHtonic 2017 invites international startup groups and investors from
all over the world in one big event that highlights new technologies
and innovation in the space

Philippine Startup Challenge (PSC) opens
(August 2014)
PSC is a local digital startup competition for college students hosted by PSIA
and DOST-ICT Office Program, which aims to develop innovative and socially
relevant startups

Viber/Spotify & Senate Bill 2217
(Second quarter 2014)
Spotify launches in the Philippines, while Viber, an Israel-based messaging app,
opens its Philippine office, and partners with Globe Telecom

DevCon Summit Conference
(October 2014)
The DevCon Summit brings together developers nationwide to showcase
the latest trends and opportunities in the Information Technology industry

Google’s Manila office opens
(January 2013)
Google opens its fifth Southeast Asian representative office in Manila

Geeks on a Beach launches
(September 2013)
Geeks on a Beach is an annual Philippine international event that
highlights the achievements of tech startups, and provides opportunities
to interact with potential investors

Philippine Software Industry Association (PSIA)
starts Softcon.ph
(October 2013)
PSIA launches Softcon.ph, the first-ever software conference in the Philippines
that promotes and celebrates world-class products and services of the Philippine
Information Technology industry

Facebook launches Facebook Zero
(November 2013)
The Philippines was chosen as one of the 12 countries where users
access Facebook for free

Startup Weekend commences
(October 2011)
Startup Weekend is a meet-up and hackathon
event to disseminate information about

Milestones
Having experienced the difficulties of finding talent for her business Bizu Catering Studio, Audrey Tanco Uy, together with Jim Imbong, established ServeHappy Jobs in 2016 to serve as an online job platform for the service industry.

“The start of ServeHappy goes back to the issues our CEO, Audrey, ran into a lot. She’s circled herself in the fast-paced world of the catering industry and one of her problems was there just weren’t enough people to go around. She’d always look for people for her events. One of the things we’ve found is that the service industry doesn’t have a platform where job-seekers could go and find all the jobs they need. This is really quite ironic because 55% of the jobs in the Philippines actually reside in the service industry.”

Asked about what makes them different from the other job platforms, Jim shares, “What makes us different is we work in a blue ocean. We took it upon ourselves to tackle this problem affecting the service industry. Working in this niche means while we’re busy immersing ourselves in the C-D market, our competitors are on the other side working the A-B market. These means we’re not directly competing against each other. The second [thing] would be how we find our applicants. Since we’re looking at the C-D market, and since in the Philippines everyone is on Facebook, we made the decision to use Facebook to achieve our goal of finding jobs for our applicants. The free Facebook access we have in our country is a channel we’ve continued to leverage upon and in doing so made it easier for applicants to connect with companies looking for talented individuals like themselves without the need of having to pay for Internet access.”

Through their platform, ServeHappy’s curators look at the jobs and people applying for the positions. “Other than the applications jobseekers send, they also get in touch with us through Smartbots on Facebook Messenger. In order to ensure that our clients get the best applicants out there, we always take a look at their work experience. In the future, we’re looking at setting up events with partners who can help us enhance the skills that our jobseekers already have.”

On growth strategies, Jim shares, “One of our primary expansion areas is giving a hand to those who work part time instead of the alternative full-time. We’re creating a separate system for that. The reason why it has to be a separate system is because the way people react to part-time jobs is different from how they view long-term jobs. We’ll be launching this system by the end of 2017. We’ve already planned for what’s going to happen to ServeHappy in the next three years. There are also other markets just like Manila and the Philippines. There’s Indonesia and Sri Lanka. We want to make sure that when we launch in other countries, it’s something that we could be proud of not just as ServeHappy, but also as Filipinos.”

With around 5,000 job postings in just over a year, Jim shares the following tips to those who plan to launch startups:

“Every startup idea starts with your passion. Try to be comfortable with the unknown because you will encounter a lot of things which you haven’t really thought about.”

“Second, don’t wait too long. If you’re satisfied with the product that you’ve made when you launched, then you probably launched it too late. Be as fast as you can, and work as much as you can. Lastly, always embrace the problem before the solution. You need to have a very special relationship with the problem you’re trying to solve. If you have a relationship with the problem then the solution could be anything. Once you have something which you think people will use, you’re on your way to making a good startup.”
As one of the top young entrepreneurs in the country, Francis Simisim, together with 8990 Holdings Inc. president JJ Atencio, Big Big Holdings CIO Kevin Khoe, corporate lawyer Ian Dato, and Acudeen Technologies Inc. CEO Magellan Fetalino, established Original Pitch Venture Capital in 2016 to help entrepreneurs grow their businesses through partnerships, and not just funding.

“Original Pitch was really established to help entrepreneurs. We, the partners, are former or current entrepreneurs who have done successful businesses, and we want to translate that by helping others succeed. The mission of Original Pitch is to create successful businesses that will be able to produce great profits,” he says.

While Original Pitch was formed as a venture capital fund, it also invests in brick-and-mortar businesses outside the technology sector that show promising growth stories.

With their team’s background in retail, real estate, technology, financial services, and hospitality, Francis shares how they approach their investments together: “The difference with us is each of us would have a different bias, different expertise, and different focus that allow us to look at deals very differently, and with different perspectives. It gives us more a balanced perspective as opposed to a more unanimous perspective, allowing us to see both the positive and negative sides in potential deals.”

When asked about the strengths and weaknesses of Filipino founders, Francis replies, “The strength of Filipino founders is that we have a very scarce mentality because our resources here are far less than that of our neighboring countries. As such, we are more creative, and we think of solutions in a more economical way than our neighbors. I think this gives a very unique twist to what we do. One of our weaknesses, on the other hand, is running out of cash. Because we have fewer resources, founders are usually afraid of taking risks. Managing risk is also something that we still need to improve on as well as understanding what a startup really is.”

In studying potential investments, Francis shares what they look for: “The founder, product, and service are very important to us as well as their competitive advantage over the other players in the market. It’s mostly the people that we evaluate. We want to know them further – whether they can persevere, and if they can really keep their businesses in a successful state. Those are the qualities that we are looking for. We have to find the right people, otherwise we walk away. We also want to see businesses who have plans to reach profitability.”

Having invested in Acudeen, Detivo, Stoked, ServeHappy, and StillFresh, Francis reveals their target sectors in the next three to five years: “I think it’s still the three main sectors that everyone is very bullish about – financial technology, health technology, and educational technology. I think those sectors are still critical here in the Philippines, and I can see huge growth opportunities in them because they are addressing nationwide issues.”

To complement the efforts of investors and other startup partners, Francis shares how the government can help grow the ecosystem: “There should be initiatives to help investors - incentivize them. Similar to what the Singapore government has done, our government should help reduce the risk of the investors by giving tax incentives and other related incentives. I think the Startup Bill will also be definitely useful, and will help promote investments and launching startups. I hope this will be implemented very soon.”

Receiving pitches almost every day, Francis gives some advice to entrepreneurs:

“Forming the right team should definitely be the main focus of any startup. Getting the product right, and being able to validate that with the customers are also critical. With limited resources, startups should also know where they are going to focus. At the later stage, scaling is definitely one of the main things they need to focus on. How do you scale your team from a team of five to 50? Lastly, focus on leadership. Having good leadership will help drive the business and the team forward.”
Inspired by the vision of ‘Filipino Startups Changing the World’, IdeaSpace Foundation, Inc., J.P. Morgan, the Department of Science and Technology (DOST), and the Department of Trade and Industry formed the Philippines’ first public-private initiative for startups in August 2016 – QBO Philippines.

As Katrina says, “QBO was something that the IdeaSpace team had our sights on from early on. We knew there was still so much untapped talent and potential in the ecosystem, and so many promising founders who were just looking for a break. People didn’t necessarily understand in those days why an accelerator was going into so many different areas, but ultimately what we really wanted to see and create for ourselves was the type of ecosystem here in the Philippines where any startup could really thrive and have a shot at competing globally.”

The Filipinos’ bayanihan spirit inspired how the unique partnership was formed. “The DOST was our first government partner. We pitched the idea of building a national innovation hub to them—a center that drew in and brought together not only the founders and innovators but also an entire support ecosystem to cater to startups, and I’m still quite amazed and grateful that they placed their belief in what we were trying to achieve. Then DTI came in, and helped set things in motion as they had experience working with SMEs and putting up fab labs. Then they offered us a prime space in Makati’s Central Business District.”

J.P. Morgan rounds up our founding partners, and has brought to the table a level of insight and networks that’s almost impossible to beat. J.P. Morgan worked closely with us to design our INQBATION program, ensuring it was at par with global standards while staying true to our goal to provide a level playing field for entrepreneurs with underserved backgrounds.

As an innovation hub and a startup platform, QBO facilitates collaboration among entrepreneurs and other stakeholders, promotes entrepreneurship and the startup culture, and provides mentorship and various training programs. Having recently celebrated its first anniversary, Katrina shares what they have accomplished so far: “This first year was really about setting up the foundation of the vision by developing the initial partnerships, opening the hub, and launching our first set of programs. We’ve experienced rapid growth in our first year. We’ve formed over 50 local and international partnerships, and we’ve hosted and co-hosted over 100 initiatives, allowing us to tap over a thousand people in our QMMUNITY.”

When asked about what sets them apart from the existing private incubators and accelerators, Katrina replies, “QBO offers its own programs that provide tremendous value to startups. With QLLABORATION in our DNA, we work a lot with private accelerators and incubators, and are supportive of their efforts to bring their expertise and expand our ecosystem. As a public-private partnership, we understand that the market forces and private sector are critical to achieving growth and velocity by developing a competitive ecosystem. We are here to ensure that services are inclusive and available to the broader public.”

With years of experience working with startups and tapping over a thousand startup founders and stakeholders under her belt, Katrina shares advice to aspiring entrepreneurs:

“First, solve a problem. Look for product-market fit. Put things out in the market, talk to your customers and validate as quickly as possible. Second, think outside the box and take risks. Don’t be afraid to have bigger ambitions for your company. Think of going global and aim for exponential growth and creating incredible impact. Finally, remember that the ‘business idea’ is only the beginning. The startup journey is full of constraints and unexpected situations that can serve as barriers or opportunities. Startups create value because they are able to execute their ideas, and that includes creating a strong team who place importance on financial responsibility, stakeholder relations, and good governance.”

This year is just the beginning. According to Katrina, they have so much in store in the upcoming years to help more startup founders and entrepreneurs. “We still have more plans for the country. We plan to expand to more regions, involve more university startup programs, corporate venture funds, private institutions, and other government agencies. We want every Filipino startup, or aspiring startup founder to know that QBO exists—that there is a resource that’s there to support them in every part of their journey.”
Inspiring innovation

The Essential Eight emerging technologies

- Robotics
- Internet of Things
- Virtual Reality
- Augmented Reality
- Drones
- Artificial Intelligence
- 3D printing
- Blockchain
The Philippine startup ecosystem experienced changes over the years. In the early 2000s, most startups or technology companies were focused on deals, communications, search engines, listings, and blogging. In this period, notable startups include Chikka, Sulit, OLX Philippines, MetroDeal, and Pinoy Exchange.

By 2007, top-of-mind technologies were data mining analysis, search technologies, service oriented architecture, and virtual collaboration. Attention also shifted to mobile technologies, data security, and cloud in the intervening years.

Today, the essential technologies that impact companies are artificial intelligence, augmented reality, blockchain, drones, Internet of Things, robotics, virtual reality, and 3D printing.

With the rapid changes in technology as well as the growing focus on innovation, we asked our founders about the role that they play in driving innovation. Forty-seven percent of our founders see their role as visionary, and 40% say they lead innovation in their startups. Our findings show that our founders value innovation, and take responsibility for this in their startups rather than delegating the role.

Most innovation-related initiatives in the past focused on improving or developing new products. In our survey, technology, services, customer experience, and products top our founders' focus areas for innovation in the next three years. Understandably, technology is still a top priority of our founders because most of them just started in the last two years. As such, technology enhancements are essential. Technology is also no longer just seen as a tool for creating new and improved products. Today, technology also helps in gaining insights into what customers want and how to deliver products/services.
Through his first-hand experience, Magellan Fetalino saw that SMEs experience difficulties because of long cash conversion cycles. To help entrepreneurs, Magellan founded Acudeen with the vision of converting long-outstanding receivables to cash at an earlier period.

Magellan shares the story behind Acudeen: “The number one issue that we encountered was the lack of available facilities that we need to make our idea operational. Financial technology still requires a lot of collaboration with banks for a lot of requirements such as disbursements, setting up a bank account, etc. A lot of these things require a certain efficiency, and that’s currently not available when you work with a number of banks.”

When asked about the challenges when he was starting Acudeen, Magellan replies, “There’s a lot of risk involved when it comes to FinTech. Number one is regulation risk. Being a player in finance as a technology company, you have to make sure that you understand the laws of the land – how you place yourself properly in that ecosystem without violating any laws while being innovative. Another thing would be reputational risk. For example, our business requires buyers and sellers, so it involves transactions and a certain level of trust is required to make sure that these people use us or come into play. Lastly, operational risk. The sector is so fragmented that you have so many requirements.”

“In terms of efficiency, it requires a certain level of creativity to really put everything together.”

With the growing number of FinTech players in the Philippines, Magellan says that the Philippine market is big enough for all of them.

“There’s a good number of players right now in the Philippines. It’s very exciting, and it’s an exciting sector to be part of. The good thing is if you enter the space, you won't really feel the competition. There’s a lot of collaborative effort among the players because we complement each other. I think that this holistic collaborative ecosystem is what pushes everybody upwards. I think the pie is big enough for everyone to share,” he adds.

Magellan says that offering new financing solutions to SMEs was not easy at first: “It was very tough in the beginning because when you say invoice financing, receivable financing or factoring, SMEs are not too familiar with those terms. We had to educate them at first. Our first step was to have a lot of education programs and seminars that share the benefits of factoring. We started with education, and we noticed that once they start learning about how the service/product works, everybody wants to jump in. That’s the beauty of using receivable financing.”

Having processed over PHP 200m in receivables in over a year, Magellan shares the value of having partners: “A lot of the initiatives was forming partnerships with business organizations and industry associations as well as partnering with banks and other financing companies. The education part comes in two ways – first is the SMEs who are not familiar with invoice financing, and the other is the buyers or financial institutions who are still studying this alternative form of growing their money. I think in any business, one thing people usually miss is it should be centered on the participants. It’s very important for us that we evolve as a business by catering to the needs of our buyers and sellers. We make sure that their inputs are considered, and that we listen to our users.”

At present, Acudeen’s partners include Rizal Commercial Banking Corporation (RCBC) and Dun and Bradstreet.

For Magellan, grit is important in transforming and scaling startups. “I think what will set leaders apart from everybody else is their grit to really go through their business, make it happen, and push despite negative circumstances. If you don’t have that soul, that grit, to really push and make things happen for the business, you’re not going anywhere. I think that’s the most important thing that any entrepreneur should have, it’s that grit to really push forward even in the worst of circumstances,” he says.
MobileOptima Inc.

Leveling up field performance thru digital tracking

Rio Palabrica-Ilao, Founder and President

Having seen the impact of lost productivity to their business operations, Rio and Jerry Ilao developed Tarkie to help monitor people in sales and service-oriented industries. Tarkie offers a digital solution for clients to track their employees on field, record field expenses, generate reports, and other features with the goal of improving their overall productivity.

As Rio says, “Tarkie is actually one of the three products that we were testing back in 2014. One was a time-keeping system called Timsie, second was a tablet-based inventory system called Peetow, and lastly, a tracking solution for field employees called Tarkie. We were able to get clients for all three products, but we realized that the most sellable one was Tarkie. For Tarkie, we actually found clients who were willing to invest in 20 phones, or even 40 phones right away just to be able to use Tarkie immediately. We decided to focus on Tarkie.”

When asked about the challenges three years ago and at present, Rio replies, “In every business and at each stage, you will encounter different challenges.”

“When we were just starting Tarkie in 2014, our problems or challenges were more around validating Tarkie. Who’s the target market? What kind of problems are we solving? Is it something that companies are willing to pay for? Given that we are now at the revenue stage, our challenges have evolved. One, there’s more pressure in terms of competition. We’ve become more conscious about what our competitors are doing, and how we can always be ahead of the game. A second challenge for us now is scalability. With close to 3,000 users, we need to ensure that our architecture is scalable enough that it can handle hundreds of thousands of users later on.”

With Tarkie operating on its third year, Rio shares how their product changed: “Initially when we launched Tarkie, it was designed as a tracking solution for field employees. So at that time, our requirements and needs were very basic. We, however, realized that there’s much more that we can do to actually help and enable field employees.”

From starting with tracking solutions, Tarkie now offers electronic data collection, paperless daily itinerary, mobile expense tagging, and photo documentation. Through the Tarkie dashboard, employers can monitor their team’s performance and productivity on a real-time basis.

Having grown its user base, Rio shares their plans for Tarkie: “One of the things that we want to innovate in the next three years is our customer acquisition model. One of the issues with the B2B model is your sales cycle can get pretty long. We feel that there’s a lot of opportunity that we can tap. We can make it more efficient. One of the things that we’re actually testing is a self-service model. The reason why we wanted to test that is because in the Philippines, self-service doesn’t usually work. Filipinos love full-service solutions. However, if we want to expand to other countries, or even outside Metro Manila, we feel that it’s the way to go. We’re also testing our partnership program or an affiliate program where we can get institutions or independent people to actually market Tarkie.”

With her commitment to innovation and sustainability, Rio shares their dreams for Tarkie: “Our vision for Tarkie is to be a globally recognized Filipino product. The Philippines is known for being excellent in providing services. We feel that there’s an opportunity for us Filipinos to be also known for our products. This is the reason why we’re creating our own brands and solutions. And with Tarkie, we hope that we can help promote the Philippines, in our own little way.”
Innovation is moving up the startups’ agenda as founders recognize its vital importance in sustaining growth. The importance of putting innovation at the heart of strategic management is reflected in the fact that our founders see the right leadership and culture as the crucial ingredients for success. Collaborating with customers and other stakeholders, execution and follow through of an innovative idea, and use of new technology are also key ingredients for innovation, according to our founders.

The importance of collaboration can be seen in the number of startups that are now working with customers and other partners. Through these collaborations, startups were able to complement their partners’ products and services. Such partnerships came in the form of investments, franchise agreements, and other related agreements.

What are the top three most important ingredients for successful innovation in your startup?

- Strong visionary business leadership (57%)
- Execution and follow through of an innovative idea (55%)
- Collaborating with customers and other stakeholders (52%)
- Having the right culture to foster and support innovation (43%)
- Use of new technology to support innovation (26%)
- Being able to locate, train and retain the right people (25%)
- Being able to secure the right levels of funding (21%)
- Having the capacity and capability for creativity (18%)
- The ability to capture ideas throughout the organization (4%)
While our founders understand the critical role of innovation in their startups, barriers still exist, preventing them from becoming more innovative. Eighty-one percent of our founders identified the lack of financial resources as the major barrier to innovation. Other constraints are lack of talent and regulatory factors. One way of addressing this issue is to ensure that plans related to innovation match the startup’s growth targets.

Involving the rest of the team in developing and executing innovative ideas is also important. Having an organization that creates a culture of innovation will play a role in ensuring a startup’s success.

"I hope it would be easier to get funding. We have a good idea, and we were able to get interest from big brands. However, it requires investment to set up the needed infrastructure."
- Anonymous

Q Which of the following constraints is stopping you from being more innovative (check all that apply)?

- 81% Financial resources
- 43% Lack of talent
- 33% Regulatory factors
- 25% Existing organizational culture
- 23% Inadequate technology
- 10% Others

Overcoming the barriers to innovation will likely require new ways of building it into the strategic and operational management of the business.

Companies should have the right technology and tools to support the plans or changes to be implemented.

Existing laws or regulations that have not been amended for decades need to be reviewed to support the current environment to promote innovation.

There is a need to eliminate bureaucratic decision making processes that slow down the commercialization of innovation.

Funding should be managed in a smart and efficient manner to ensure that there are enough resources to support the changes to be made.

Building innovation into everyone’s job description and creating opportunities for collaboration that go beyond the traditional roles are important to promote innovation.
Knowing that only around ten of the over 80 airports in the Philippines have radar capability, Junjun Fetizanan, Zes Martinez, and the rest of their founding team established Futuristic Aviation and Maritime Enterprise Inc. in late 2015 to help solve the communication problems of our planes and vessels.

As Zes says, “Junjun has been flying small aircraft since the 1990s. They communicate through radio, and they don’t have radar. In the past, Junjun had to circle first up in the air to get a visual of the other aircraft before proceeding to the target direction. Because of this problem, Junjun thought of creating a transponder to track aircraft, allowing it to function as a secondary radar.”

Having innovated in just over a year, Zes tells us how they survived the initial challenges. “Without the support of IdeaSpace, we would not have taken off. The technology was still very early then. It actually started in Europe around three years ago so we’re one of the pioneers in the space worldwide. The challenge also was we needed to educate people about the technology, and what it can do. Now, after a year and a half, funding is still one of our challenges because we need to scale. We’re now at that stage where we need to scale up because our system needs infrastructure. We need to put up our gateways to cover the entire Philippines,” he says.

Zes also shares what helped them reach this stage. “First, it’s the teamwork among the founders. Each has to support everybody because it’s very hard to operate a startup, and survive. Teamwork and an innovative mindset are important. You shouldn’t be too in love with the product such that you don’t want to change it because it’s your baby. We talk to our different customers, and we learn from them. We’re open to pivot or improve the product as they see fit—that’s our mindset.”

Aside from improving and developing their products, Zes relates how they changed the way they sell to customers: “We started by selling the device outright. After some validations with our target market, we changed the model by charging monthly subscription fees, like how people use a cellular phone.” FAME started its market validation in early 2016 and is now servicing clients, with about 100 units deployed. The company is also in talks with companies and local government units for possible long-term contracts.

Achieving growth in just over a year, Zes shares their vision for FAME: “We used to plan for the next five years. However, times have changed. Five years seem to be a long time especially in this phase where developments happen almost every quarter. What I can say is that by 2020, our vision is for FAME to become one of the standards in aviation, maritime, and smart cities technology. We want the industries here in the Philippines to benefit first from our technology. By 2020, we envision to be operating outside the Philippines, particularly throughout Asia and North America because we already have partners there. Once we have served our fellow Filipinos, we can start serving the rest of the world.”
Experiencing firsthand how their lives changed because of quality education, husband-and-wife team Leo and Elaine De Velez have taken on a mission to provide quality, sustainable, and affordable learning solutions to Filipinos with the help of technology. In 2013, the couple founded Frontlearners, an interactive e-learning content developer and customized e-school solutions provider.

Elaine shares their inspiration for starting Frontlearners: “Leo and I were not really professional educators. I am actually a chemist by background, and Leo is an engineer. However, [through government scholarships], we have experienced how quality education has changed our lives.” Both Leo and Elaine had successful corporate career lives before starting Frontlearners. She adds: “We had local and global experience. We planned that at the age of 50, we would do something different. After eight years of working at our [respective] regional headquarters in Singapore, we decided that it was time to go home, and start an education-technology solution, which has been our passion.”

Transitioning from corporate life to becoming a startup founder was not an easy path for the couple. Leo compares the challenges between the two: “Working for a corporation and working in a startup pose entirely different challenges. In a corporation, you become a specialist – you have focused responsibilities. In the startup world, you have to do everything on your own. In corporation, you have different departments to help you. In a startup, you’re on your own.”

He emphasizes how they overcame the challenges: “It’s also very important to have partners. Luckily, I have my wife who joined me as my partner to supplement what I don’t know in starting a startup.” He adds that joining IdeaSpace provided them with mentors, network, and market knowledge that proved helpful throughout their journey.

“We were so focused on perfecting the product, but we found out that it’s important to test and validate the product even if it’s not yet perfect. These are the things we learned after joining IdeaSpace. That made the difference.”

The couple reveals how they, as startup founders, developed the business throughout the years.

When asked about how their platform is different from other EdTech products, Leo replies: “We offer free e-learning systems to schools. That is a bit different from what you would normally hear. The system is free, and the platform is free. That would make their e-learning programs sustainable with or without us. We only come in with a business proposition when we offer our own developed content for subscription.”

There are more than 3,500 K12 curriculum-based lectures and 20,000 quiz questions ready for use. “If they want to start e-learning tomorrow, they can do it, rather than developing their own content” that will take years and cost a lot. Frontlearners has more than 20,000 paying users at present.

As part of their advocacy commitment to helping Filipinos, public schools can avail themselves of their solutions through various technology donors for free. Currently, over 60,000 public students spread across 60 public schools are benefitting from Frontlearners.

“We make sure that there is no digital divide among our [Filipino] learners. We make sure that we provide programs that are also suitable for children in public schools,” Leo says.

Together, Leo and Elaine work towards their vision of helping address the competency gap in our country. Frontlearners would like to help by providing quality, affordable, and ready-to-use e-learning solutions,” Leo says. “Our vision is for all schools to be powered by Frontlearners, both in terms of e-learning technology and content.”
5 tips for creating full value innovation

1. Reflect your vision and appetite for innovation in the way you innovate (collaboration, employee empowerment, customer engagement, time horizon, etc.)

2. Articulate your vision and appetite for innovation to employees, investors, and business partners.

3. Ensure that your employees see that creating, promoting, and executing new ideas are part of their job.

4. Ensure that the processes for decision-making and organizational mobilization are quick enough to bring new innovations to the market ahead of the competitors.

5. Ensure that there are effective ways of measuring and tracking the return on investment as well as the ability to meet the customers’ changing expectations.
Honesty Apps

Enabling big meetings, digitally

Valenice Balace, CEO

Missing out on dating opportunities, Valenice Balace established HonestyApps to develop a dating application called Peekawoo to help Filipinos find their match. After three years, Valenice pivoted and shifted to creating apps for meetings, conferences, and communities. Currently, Honesty Apps’ product features include directories and profiles, chatrooms, events calendar and notifications, group messaging polls and file repository.

When asked why the company shifted to other apps, Valenice replies: “Maybe there was just a change of who we were because when we started Peekawoo, we were still single. When I got engaged, it did not fit us anymore. We can’t do dating apps forever. Peekawoo still exists, but we tapped a bigger market. Instead of just targeting those who are looking for romantic relationships, we targeted different kinds of relationships. We just tried something, and it worked better than what we were doing for three years. This is why we decided to focus on other aspects of relationships and meetings – not just for love, but for business, school, and groups as well.”

Having been featured on the 2016 Forbes’ ‘30 under 30 Asia’ list of the emerging entrepreneurs, Valenice admits that just like other startups, Honesty Apps also faced challenges along the way. “One of our biggest challenges was dealing with investors. If you have a startup, and it’s a corporation, you have to run everything by the board. Most of the time, the board has different views, and it’s hard for a founder to move without the board’s approval. If you act without the board’s blessings, you’ll end up disappointing people. I’ve learned to live with that, and I’m not the type who intends to disappoint people.”

Being in business for over five years, Valenice shares that they have transitioned from a startup to a stable business. “We have contracts that are signed for three years so I am very happy about that. We have around 17 clients, and some have bought up to eight apps this year. Surprisingly, our biggest customer is the government. We’ve sold so many apps to the government, and we’re getting credibility because of them.” With Honesty Apps’ customizable templates, clients can have their apps in as fast as a day, depending on the complexity.

When asked about their plans to grow their business, Valenice replies: “We’re focusing on relationships at present. What we’re trying to do is equalize the app field. When the Internet boomed, the only people who were able to use Internet products were developers until WordPress came. We’re trying to make a way so that anyone can create an app, and focus on their businesses without the hassles.”

As a successful young entrepreneur, Valenice advises aspiring entrepreneurs: “Getting investors is so exciting because you get all the money, and they can help you fulfill your dreams.” However, once you take their money, you’re actually married to them. They have the license to call you at four in the morning, and bother you about numbers. So my advice is, pick a good partner. Don’t choose them for the money. Select the investor based on how much you respect them. Second, be humble. Whatever good thing you’re experiencing now can disappear tomorrow. Since startups have ups and downs, it’s good not to fight with everyone when you’re up. Try to be humble with whatever you’re getting, and try to work with people as if you’re still starting. Lastly, try to listen to your own voice. You’ll get so many pieces of advice, but at the end of the day it’s still your decision. It’s better to fail knowing that you used your strategy instead of someone else’s. Listen to yourself.”
LaunchGarage

Getting local startups go international

Jojo Flores, Co-founder and Vice President

LaunchGarage is a tech innovation hub where entrepreneurs and mentors collaborate and help each other. Jojo Flores and his co-founders established the company in 2016 to leverage their experiences and global network, allowing them to mentor and help entrepreneurs as the number of startups increased in the Philippines.

Jojo shares the vision for LaunchGarage: “Through this platform, we will identify startups that could potentially go global and become a unicorn through the network that we have at Plug and Play Tech Center. We’re mentoring them and making them more investible so they could create products that can be used by large corporations and the general public.”

As the co-founder of Plug and Play Tech Center, a Silicon Valley-based incubator and accelerator, Jojo tells the story behind LaunchGarage. “I wanted to start LaunchGarage after Plug and Play Tech Center, which I created in Silicon Valley 11 years ago. There, we help startups get funding and more importantly, get corporate customers. When I came back to the Philippines, that’s what I wanted to do – to help startups get to a more global scale,” he says.

At a later stage, Jojo advises that scaling is very important. “Once you have a proven product and business model that works, and once you have traction in the local market that you address, the next stage for the founder or the startup is to think of a larger market. At the very least, you need to be a regional company, and that hopefully transcends to becoming a global one.”

Jojo also shares that the government plays a major role in helping startups.

“I think the government should create mini-sandboxes for startups. The whole idea is that it’s very important for the government ‘to regulate without regulating’. They need to allow the startups to do their thing, and not immediately try to place policies, and rules and regulations as early as now. Give them a chance to live their dreams.”

Similarly, Jojo believes that the private sector plays a major role in the startup environment. “The key to a startup’s success is to get large corporates as clients. These startups need validation, and they cannot get real validation if their customers are small. Gone are the days when innovation is done internally. I think we have a chance to leapfrog innovation if there’s enough collaboration between startups and large companies. We just need open mind[s], and startups should not allow companies to copy their ideas.”

Continuing his mission for the startups, he shares his plans for LaunchGarage: “Our dream for the startup ecosystem is to generate enough value and employment for the country. We plan to help the community raise awareness especially to our investor community – to open up some of that wealth, and release that to the startups. More importantly, we plan to work closely with the government so we can work hand in hand in creating the next big industry.”
Turning great ideas to reality

Goldy Yancha, Associate Director

Inspired by the success stories of Silicon Valley startups, Manny V. Pangilinan (MVP) established IdeaSpace Foundation, Inc. (IdeaSpace) in 2012 to help budding technology entrepreneurs through their combined incubation and acceleration programs. As of October 2017, IdeaSpace has financially supported over 60 startups, and has participated in over 300 startup events.

IdeaSpace incubatees include FrontLearners, JustGo, mobkard, PinoyTravel, Cropital, Taxumo, and ARRAS. IdeaSpace is also supported by the MVP Group of Companies that include First Pacific, Metro Pacific Investments Corp. (MPIC), MPIC hospital group, Philippine Long Distance Telephone Co., Meralco, Smart Communications, Digitel, Sun Cellular, ePLDT, Indofood, Philex Mining, Maynilad, MediaQuest, and TV5.

Goldy Yancha shares the story behind IdeaSpace: “Our chairman [Manny V. Pangilinan] drew inspiration from the innovative energy and output of Silicon Valley. It was always his dream to build a platform to support the innovation ecosystem in the Philippines. The working group went on to pitch for support, juxtaposing the Philippine GDP versus the total revenues of the top ten tech companies in Silicon Valley. The result showed a gap that formed a collective dream – that by helping Filipinos build startups, we can help develop the Philippine economy. The board of trustees went on to provide a PHP500m commitment for this endeavor called IdeaSpace.”

Having worked with startups within and outside their program, Goldy describes the strengths of Philippine startup founders: “Start-up founders in the Philippines are inherently creative, capable, and competent. There is a great potential in the capability of founders to build compelling solutions that address existing market gaps in emerging markets like ours in the Philippines. Nevertheless, there ought to be a more mainstream cultural shift towards having goals of creating businesses that can achieve greater scale. For those that are currently in the startup journey, another challenge would be the willingness and capability to pivot in accordance to customer needs. With the Philippines being a young ecosystem, we have a few examples of startup success stories. It will be a matter of time as well as sustenance of support before we can enable a greater pool of successful use cases.”

Through their programs, IdeaSpace provides funding, informal learning sessions, entrepreneurship development programs, market runway, and expert mentoring. Qualified startups are accepted as incubatees through their annual national startup competition. When asked about what they look for in startups, Goldy replies,

“We look at the team composition, their deep understanding of market size and need that they intend to address, and their business value proposition.”

“We employ various methodologies in the vetting process. Our initial touchpoint with the startups is via an online application process where they will answer questions relating to the areas mentioned. The following stages are composed of lightning pitches, interviews, vetting through relevant domain experts and our board of trustees. Once startups are included in our acceleration program, evaluation is constant. Progress is tracked via the status of their team, product, and market.”

Receiving hundreds of applications every year, Goldy advises where startups should focus: “In early stages, startups should focus on the cultivation of customer empathy, and constant market validation in order to drill down on product-market fit. Having the attitude to be malleable/adaptable is also important to adapt to evolving customer needs. As they grow, startups should develop rigor in stakeholder management. Creating a structure conducive to business growth is also important. This includes making sure that the company records are compliant and ready for investment. Finding the right people instrumental in scaling is also critical for growth. This will involve hiring the right team members for operations, business development, and product development.”

With the support of one of the country’s top conglomerates, Goldy shares their future plans for the Philippine startup ecosystem: “We are indeed lucky to be backed by a forward-thinking group with a deep social sentiment to enable opportunities for others. The MVP Group of Companies recognizes that innovative startups have the potential to ‘make the elephants dance’, unlock the rigidity of big and established companies, and create and deliver exponentially innovative market solutions. We will continue to build programs on different fronts that serve the growth of startups and innovation better – we will continue to bridge the gap between corporates and startups, and address power gaps. We will support entrepreneurs in building more robust networks and platforms for them to build their products on.”
Scale up or sell up

Types of investors

- **US$50m+**: Global private equity funds, large local conglomerates, multinationals
- **US$50m**: Regional and global private equity funds and local conglomerates
- **US$15m**: Venture capital funds
- **US$5m**: Angel investors

Growth Maturity

Early | Growth | Maturity
Improving existing products or services, introducing new products, and entering new territories outside the Philippines are the top three growth strategies of our founders in the next three to five years. Similarly, product development and marketing initiatives will be the primary use of our startups’ funds. To support these plans, 63% of our founders say that they plan to raise fresh equity from external parties such as venture capital funds and other investors. Forty-seven percent of our founders are planning to raise less than US$1m, and 27% say that they plan to raise between US$1m and US$3m.

“Given that startups lack the track record yet, investors place huge importance on the passion and talent behind the management team: the founder is key to all that. Valuation is about assessing the risks and rewards of an enterprise. Having a great management team reduces the execution risk of the business and thus, improves startup valuation.

Being the next Facebook, Snapchat or Alibaba takes a lot of work. A good valuation is a mere start. Staying on track means longevity and better shareholder value. After all, no one wants to be a fleeting shooting star that will light up the sky for a brief moment only to disappear and be forgotten forever.”

Mary Jade Roxas-Divinagracia, CFA®
Deals and Corporate Finance
Managing Partner
PwC Philippines
Bridging the online and the physical worlds

Robertson Chiang, Founder

**Realizing the insufficient financial infrastructure to support the growth of online deals, Robertson Chiang created Dragonpay with the vision of creating alternative ways of making online payments.**

“While I was working with an Internet Service Provider, we were already looking at different business models, and different ways to transition the business. Interestingly, one of the things that we looked at was e-commerce, and in particular, payments. That’s when I realized that since credit card penetration in the Philippines was so low, the only way for e-commerce to grow was if there were alternative ways of paying through the common means by which people would pay for their other bills. The idea was to buy things online then physically make the payment somewhere you are comfortable with. That’s how things started with Dragonpay,” says Dragonpay’s Founder Robertson Chiang.

With the growth of online deals, and eventually e-commerce, Robertson shares how they have grown the business: “We started operating in November 2010. I would say that we came at the right time because during that period, there was a craze for deal sites. Back then, our volume was primarily driven by deal sites. Because of their popularity, people started noticing us by seeing our logo, and eventually, merchants started calling us. Our monthly transactions were between 10,000 to 20,000, and grew to around 60,000 to 70,000 by 2014. In late 2014, we welcomed a Japanese venture capital fund and further grew our volume. Today, we are doing around 600,000 to 700,000 transactions a month.”

When asked about what helped them grow, Robertson replies, “It was really the government. There has been a lot of initiatives from the various government agencies to go online – to make it more convenient for the citizens to avail themselves of services. This is everything from getting licenses to NBI clearances. We’re still talking to a lot of government agencies. We see a growing trend in government. E-commerce by itself is growing, but it’s not quite yet there to bring you the volume that we are seeing. We’re still largely dependent on the government for the volume.”

Robertson also says that the current administration supports financial technology. “What is interesting with the new BSP governor, Governor Espenilla, is he seems very forward-thinking. He’s been in the post for a couple of months, and so far things have started moving especially in matters such as cryptocurrencies and bitcoin, which have been gray areas for the longest time. With all the innovation in FinTech, I think it’s good to have a liberal thinking and progressive governor.”

Forming partnerships has helped Robertson build and grow Dragonpay. He shares: “When the volume started going up, we just couldn’t scale enough so we had to officially have arrangements with the banks. In the case of the other payment centers, they have been fairly open from the start because we are bringing new businesses to them. Dragonpay wouldn’t be what it is today without its partners. We’re looking forward to growing those relationships further.”

With the entry of new local and foreign FinTech players, Robertson says that they still have a good place in the market. “Dragonpay is in a very unique niche position. We don’t really have a direct competitor at this point in time. As to whether the payment habits of Filipinos will drastically change in the next five years or so, that remains to be seen. I think Filipinos will still be paying through cash for at least several more years.”

Having grown Dragonpay’s transaction volume and partner list, Robertson shares how startups can scale their businesses: “Technology startups are usually enamored with their own technology that they often miss what the market is looking for. To be honest, Dragonpay started with something different, and we had to pivot along the way. When I initially came up with the idea, the only service of Dragonpay was to allow people with Internet banking to pay online. We had to quickly pivot, and started doing cash payments. That’s when we took off.

“My two cents’ advice therefore – don’t be too enamored with your own technology. Always be in tune with what the market is looking for. Don’t be afraid of changing when the need arises.”
Mobile platform to financial inclusion

Ron Hose, Co-founder and CEO

Realizing the limitations on people’s ability to access real-time and convenient financial services, Ron and his team founded Coins.ph to make it easier for people to pay their bills, remit cash, and apply for loans on mobile. At present, Coins.ph operates in the Philippines and Thailand, working with over 30,000 retail merchants for cash collection and disbursement.

Ron Hose, a Silicon Valley entrepreneur, reveals that they are investing a lot of time finding innovative people that share the company’s mission.

“One of the key things we spent time on is building the team - hiring, building talent, finding the best people to work with us, and creating a platform for them to express their creativity. We really focused on hiring people that are smart, creative, and who care deeply about our mission to support financial inclusion.”

With the rapid changes in FinTech, Ron says, “The best way to protect your business is to constantly innovate. Never stand still. We have a development team focused on improving our product, team, and services as we scale up. It’s not always easy to perform at the same level when you are growing, but we spend a lot of time and resources to ensure that customers are getting the same type of service today.”

Coins.ph’s commitment to innovation helped win the trust of investors such as Quona Capital, Kickstart Ventures, Wavemaker Partners, IdeaSpace, Global Brain, Innovation Endeavors, Amasia, Pantera, Digital Currency Group, Beenext, and Rebright Partners.

Moving to the Philippines, Ron shares the problems that Coins.ph is trying to address: “I think the Philippines is unique – it has good demographics, and the people are very tech-savvy. Nevertheless, people still lack access to the very basic needs such as financial services, healthcare, and education. What we’re really focused on is using technology like mobile blockchain to deliver those services to the end-consumers. Today, we offer remittances, bills payments, and airtime. We also have partners who extend loans using our platform. These are the services that people have a hard time accessing. We’ve made them available directly through mobile.”

Having expanded to Thailand, Ron shares how they launched Coins.ph outside the Philippines: “First of all, our home is in the Philippines. Whenever we go to foreign markets, we bring our model to those markets. While there are differences between markets, a lot of emerging markets fundamentally face the same issues that we face here. Access to financial services is extremely difficult.”

When asked about their focus areas in the next three years, Ron replies, “We will continue to grow to reach more consumers with financial services. We’re going to make it easier for people to do simpler things like get a loan, pay bills, or send money to their families back home. We’re also going to help the existing financial institutions access consumers in an easier way.”

For Ron, solving a real problem is key to a startup’s success. He shares the following advice to aspiring entrepreneurs: “Make sure you’re solving a real problem, and that there’s actually a pain. Talk to your customers first. Once you’ve identified the pain, pay attention to the culture that you’re building in the company. Pay attention to the people that you’re bringing in because ultimately that’s what’s going to set you apart, and help you grow. Finally, be persistent because lots of things happen. I think a lot of people from the outside only see the ups of being an entrepreneur and a founder. The truth is there are a lot of swings – there are ups and downs. I think that comes with experience and maturity as a founder – knowing when you have a bad day and a good day – evening it out. Being able to deal with crises and setbacks when they come, and to stand back up is important.”
Similar to the challenges when they were starting, access to capital remains an issue even for those gaining revenues and traction. Our founders should understand that having a good product and an available market are not the only requirements of investors. Other factors considered include the founders’ background, management team, competitive environment, historical financials, forecasts, growth story, use of proceeds, and possible exit strategies. While raising capital should be done when needed, preparing for possible fundraising activities should be completed ahead of time. Lack of proper planning and preparation may also impact the valuation because investors also consider the amount of work that needs to be done when they come in. Barriers to completing successful deals include overindulgent optimism, poor preparation, ineffective integration, insufficient time, inability to execute the strategic plan, lack of data, and insufficient business tools.

While the ecosystem’s M&A activity is still gaining traction, recent deals include transactions involving Globe Fintech Innovations, Inc., mClinica, Revolution Precrafted, Coins.ph, Acudeen Technologies, Inc., and Flyspaces. Enhancing and expanding services, capital infusion, and global expansion were among the reasons why these deals were completed.

Source: MergerMarket, Public Information
To support their growth plans, 94% of our founders say that they plan to welcome an investor in the next three years. While in the past, most transactions with investors were motivated by financial reasons, deals in recent years transitioned to partnerships that focus on sharing knowledge, technology, and capabilities. This is evident in our findings where our founders say that industry expertise and global network are the top two things they look for in potential investors. Financial capacity, on the other hand, only ranked third.

**Common challenges that can derail partnerships**

1. Establishing trust – There needs to be a high degree of trust, transparency, and mutual understanding among the participants, and they must be nurtured and managed very carefully.

2. Cultural differences – Understanding one another’s cultures and values is essential to be able to work together towards a common goal.

3. Unanticipated events – Partners should foresee the possible events such as a regulatory challenge, change in the competitive landscape, and change in one organization to ensure that the partners will be able to adapt to the changes.

4. Lack of performance monitoring – Performance metrics are ultimately a reflection of what each stakeholder considers most important about the alliance – in other words, they are fundamental to the success of the alliance and need to be agreed on at the outset, not cobbled together once the alliance is up and running.

5. Exit issues – Partners need to consider the conditions under which they would want to dissolve the arrangement and then hammer out the details, including such issues as the handling of jointly developed intellectual property and the incurring of liquidation costs.

“Finding the right partner may be difficult. But we all need someone we can trust, and who will complement our strengths. Once you find that partner, the opportunities can be endless.”

Atty. Alexander B. Cabrera
Chairman and Senior Partner
PwC Philippines

Factors driving M&A deals and partnerships

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Our survey shows that our founders are ambitious, with 63% saying that they want to list on the Philippine Stock Exchange (PSE) in the next five to seven years. While going public has been a viable mode of exit or fundraising in mature markets, the Philippines has only seen two startup listings in the past decade. Mature startups such as i-Remit, Inc. and Xurpas, Inc. went public in the Philippines in 2007 and 2014, respectively. With the PSE’s track record requirements for the SME board, startups who plan to list should target a cumulative EBITDA of at least PHP15m for three fiscal years preceding the target listing date.

Our founders understand that proper preparation is needed for possible initial public offerings (IPO). Profitability, strong growth prospects, and the right management team are the top three focus areas of IPO preparations according to our founders. Surprisingly, only 34% say that good governance should be a priority. This is a concern because as the business grows, mechanisms and formal policies must be in place to guide the company and its team. Good governance is important to help manage risks, and meet compliance, regulatory, and investor requirements. Aside from managing risks, good governance will also help businesses know when to take the right risks. Having good governance practices may also help improve the company’s valuation. In certain cases, the company’s valuation suffers if the right practices are not done at the start.

To further grow their startups, 95% of our founders say that they plan to enter new territories in the next five years. Indonesia, Thailand, other areas in the Philippines, Malaysia, and Vietnam top the list of markets where our founders want to expand. Such markets are attractive to foreign players because of the favorable demographics, economic growth, and ongoing reforms.

While market expansion seems to be exciting, our founders should keep in mind that proper planning and execution are key to successful regional and international expansion. Factors to be considered before tapping new markets include ensuring a strong local business, the team’s commitment, a business plan, sufficient capital, and the right talent.
Revolution Precrafted

Democratizing design

Robbie Antonio, CEO

Observing that designer homes are only available to a few, Robbie Antonio founded Revolution Precrafted with the vision of bringing great architecture to people.

Robbie Antonio is one of the family members behind Century Properties, a leading real estate development company in the Philippines. With Robbie’s passion for design and architecture, he launched Revolution Precrafted (Revolution) in 2015 to provide prefab homes and pavilions designed by the world’s top architects, artists, and celebrities.

Despite being in business for only two years, Revolution has signed exclusive supply arrangements with real estate developers in the Philippines and overseas. Robbie, however, shares that it wasn’t as easy when they started. “We launched in December 2015. The challenges were really trying to convince an industry that was very much used to a very specific way of doing things. What we have is a completely new way of disruptive business – being the opposite of a traditional real estate developer. At Revolution, we unite 61 of the world’s architects, designers, celebrities, models, athletes – with brand recognition that are transferrable to design.”

To ensure that they remain different from the traditional construction and prefab companies, Robbie reveals: “I knew that the barrier to entry was actually getting a lot of names. I did not launch until I had 25 of them. I thought that if we had a good enough number already, it’s harder for people to come in. That was really a barrier to entry. For the last year and a half, we’ve also assimilated over 400 fabricators around the world. Clearly, we did not start the prefab industry, but we are the only branded housing in the world. We are suppliers to developers and end-users, but most of our business is directed towards developers. The reason why people look at our products is they’re done by the world’s best architects and designers who are unobtainable due to their mid-size budget.” Through Robbie’s track record in real estate as well as his efforts in forming partnerships, Revolution was able to sign exclusive licenses with 61 architects and designers that include Christian de Portzamparc, Zaha Hadid, Jean Nouvel, Eduardo Calma, Ron Arad, Philip Johnson Alan Ritchie, and Lenny Kravitz.

With the entry of 500 Startups as an investor as well as its projects in the pipeline, Revolution is on track to becoming the first Philippine unicorn. “We’re privileged and lucky to have been identified as the potential first Philippine unicorn. We’re working very hard, and we’re not so very far from achieving that,” he says.

Having closed 11 exclusive developmental deals to supply over 12,000 units, Robbie shares that he has bigger dreams for Revolution: “We want to launch in six different countries right now. We’ve identified 18 countries that I think will be sustainable from our business plan point of view. We’re really becoming a multi-product, multi-country company. In that particular case, we’d like to cater to many developers that we can reach, and create value proposition for them where they feel our cost-effectiveness or branding would actually add value to their land bank. We’re looking for category killers – whether it’s in retail, restaurants, office, hospitality, etc.”

In just two years, Robbie proved that startups can be sustainable.

He gives the following advice with founders who want to transform their businesses to sustainable companies: “Having an extremely solid business model that is very difficult to replicate is very important. What is the founder’s strength in that particular industry? If that’s not exactly replicable, that is so much sustainable. In our particular case, we have a strong network of brands. It’s not so easy for another supplier or developer to just come in and walk in, and just close these deals that we were successfully doing. Second is to have a very strategic financial plan in terms of fundraising or bootstrapping a company. Have a solid plan where one can execute the plan as envisioned for the medium-term, and hopefully the long-term. Lastly, you’re only as good as your talent. We try to secure a pool of talent especially at the management committee level. That kind of planning will necessitate a lot of great leaders.”

“It’s very important to have good people because the company’s vision is just as good as its team.”
Off to a great start: The Philippine startup ecosystem | PwC

**Redefining the real estate business**

Mario Berta, CEO/Founder

Having experienced the difficulty of looking for office spaces, Mario Berta launched Flyspaces in 2015 to offer alternative office solutions to rising entrepreneurs.

“Like most entrepreneurs, it all started with a personal pain when I was still working with Rocket Internet. We had to look for office spaces, and it was extremely difficult for us. It’s difficult for a startup because of the risk of defaulting. I think that’s how we got the ideas. We started seeing that the flexible office space operators were flourishing, and so we decided to ride the wave.”

Mario understands the value of collaborating with real estate players. “We are not a co-working space. We are not a physical player. We are a marketplace. Through our platform, you can find flexible office space solutions in every city where we are in. As a marketplace, we need to have both demand and supply. The more fragmented the marketplace is, the better it will be because it democratizes the way people look for office spaces.”

Asked about the challenges he faced while starting and growing Flyspaces, Mario replies: “One of the challenges in the beginning was the business model. We didn’t know if we wanted to have a classified ads model, a commission structure, or a paper lead model. Regional expansion was also quite challenging. Although they’re relatively close, there’s a lot of difference between Philippines and Malaysia, Malaysia and Indonesia, Indonesia and Singapore.”

Finding talent is both a challenge and a priority for Mario.

“The fight for talent is an ongoing challenge. We never stop hiring in the startup world. We constantly interview people. We don’t need them at the moment, but it’s always good to have a pipeline of talent,” he says.

Having raised US$2.1m in August, the largest pre-series A round in the Philippines, Mario shares why he attracted investors: “Most of my investors are real estate developers. They’re very successful. They see that disruption is coming in the real estate business, but they don’t know where it’s coming from. Investing in technology was a way of having their foot in the game, and understanding where new technology is coming from.”

With more than 500 clients in different markets across Southeast Asia, Mario shares his plans for his company: “We’re targeting an additional 500 or 1,500 customers. We are looking at verticals in our business. We are looking at short-term retail spaces, billboard spaces, and other products that we could cross-sell and integrate with what we have now. Our main focus area for the coming years is Indonesia, because it is the largest one in the region.”

Through Mario’s vision, Flyspaces grew its product and service portfolio as well as its market coverage in just two years. Asked about his advice to companies who plan to scale, Mario says:

“Don’t try to open multiple business models, divisions, or products at once. Laser focus on one. If it doesn’t work, pivot to the next one. Scale-ups are different from startups. Scaling up is when you’ve already identified your market, and it’s just a matter of pressing the accelerator.”

Mario also shares the value of understanding your business. “I noticed that some of the entrepreneurs here don’t really understand their numbers. If I ask how much money they made, they can’t answer. These are things or numbers that are on my mind all the time - at any moment. I know exactly how much our customer acquisition cost is, how much revenue we make per customer, what our burn rate is, how much money we spend every month per country. I don’t think a lot of entrepreneurs are very knowledgeable on their numbers. It is very important to know these things.”
Endeavor Philippines

Inspiring “high-impact” entrepreneurs

Manny Ayala, Managing Director

Established with the vision of catalyzing long-term economic growth, Endeavor Philippines joined the global Endeavor network in 2015 to provide access to a network of world-class mentors, investors, and talent to high-impact entrepreneurs. Currently, Endeavor is present in over 30 countries, with 40 mentors in the Philippines.

“The vision for Endeavor is to catalyze long term economic growth in countries where it is challenging for entrepreneurs. We catalyze growth by helping accelerate what we call ‘high-impact entrepreneurs,’” says Manny Ayala, Managing Director of Endeavor Philippines.

Endeavor defines high impact entrepreneurs in three ways: “First, these are people who have the skills to create companies that are large and successful. When we say large and successful, these are the businesses that are creating hundreds, if not thousands, of jobs. These businesses are on their way to generating US$10-30m in annual revenues. Secondly, they are doing something innovative and disruptive, inspiring others to become entrepreneurs. Finally, high-impact entrepreneurs do something special, they pay it forward.”

Endeavor looks at three things when selecting potential candidates.

“‘We look at the entrepreneur, the business, and the timing. We are looking for people who have the skills to create something large and successful. Can they hire a really good team? Can they lead the team? Can they raise money? Can they execute what’s on their business plan? Will they pay it forward? Will they go out and complicate their lives by helping other junior entrepreneurs? When we look at the business, we check if it’s a very large market. If you want to be high-impact, you need to reach lots of customers. Finally, we look at timing. Is the business at its inflection point? Is there an exponential growth curve in front of them, and will they be able to navigate it better if they had a network of mentors to help them?’ says Manny.

To complement these efforts, Manny mentions the top areas that the government should focus on to help more startups: “The general idea is to reduce the barriers that make it difficult to start up and register a company. Second, hiring foreign talent is difficult because of the labor rules. Third is the foreign ownership restrictions. Capital loves to chase the best ideas. Sometimes, available capital cannot come in because of ownership restrictions. This happens in the Philippines, Indonesia, and other markets in Southeast Asia.”

When asked about the role of the private sector in helping startups, Manny replies:

“It means doing things like supporting incubators and accelerators so that they can help identify the really early stage ideas in businesses. They can be involved by acquiring companies that are cutting edge, and fit their overall strategic objectives.”

“I think what we’ve seen in other countries like Indonesia is that the ecosystem really started to take off once the big corporates started getting more interested in doing things in digital. If the large companies embrace this idea of constant disruption, doing experiments, funding small teams, then I think everyone will win.”

Manny looks forward to finding and supporting more high-impact entrepreneurs in the Philippines. “I think every startup founder should be congratulated for taking the plunge to become an entrepreneur. It takes a lot, particularly in a country with the culture that says, ‘you went to college, you spent your parent’s money, you should become a doctor, a lawyer, a banker…’. These are the people who have gone against that expectation, and said that they are going to be entrepreneurs,” he says.

“I think the private sector is critical to countries embracing digital in a very deep and strong way. I think companies here could embrace corporate innovation much more than they’ve had so far.”
Ensuring long-term success

10 steps to effective strategic planning

It’s about the ‘what’ not the ‘how’
A strategic plan is about setting your business goals over the medium term, and deciding the direction of the firm.

Stand in the future and look back
Be absolutely clear about what the future looks like, and then work out what you need to do to get there.

Stand in the present and look around
Take a long hard look at the business as it is right now. Do you have a genuine competitive advantage? Are your ambitions realistic? What needs to change?

Invite input
The CEO needs to drive the strategic plan, but the more people who contribute, the more likely it is to be robust.

Be prepared for change
A rigorous strategic planning process should challenge the way you’re operating today, and test its fitness for the next phase. If it doesn’t do that, it’s not doing its job.

Set a timescale
A good strategic plan is like an itinerary – it’s about when you plan to reach the milestones along the way, as well as the final destination.

Assign responsibilities
The CEO and board must take ultimate ownership of the plan, but specific elements need to be owned and driven by appropriate managers, supported by the budget and resources they need to succeed.

Translate the strategic plan into a business plan
Move from the strategic to the tactical by turning the first phase of the plan into a programme of action and implementation over the next twelve months.

Measure, monitor and adapt
As you implement the plan, assess how well it’s working, and whether it needs to be fine-tuned. Use objective KPIs to evaluate progress.

Communicate, communicate, communicate
Don’t just share the strategic plan, but the progress you’re making against it. This builds a shared sense of commitment, energy, and sense of direction.
The past few years have witnessed the birth and continuing development of the startup ecosystem with the influx of local and foreign enablers, accelerators and incubators and the steadfast support from government.

The growth in the number of entries to acceleration programs and competitions is also a testament to this growth. So is the expansion of the nature of products and services offered by the startups. Offerings are no longer limited to computer and mobile applications, but already include financing systems, logistics, human resource programs, and even energy innovations.

Our survey shows that our founders are optimistic, with 86% saying that the overall business climate and potential growth opportunities will be better in the next 12 months.

Such level of confidence is higher than that seen in the similar survey of local corporate CEOs conducted by PwC together with the Management Association of the Philippines (MAP), *Building Partnerships in ASEAN: Reimagining the Possible*, where only 54% shared the same sentiment.

The positive outlook is evident in our founders’ plans, where 95% say that they plan to stay with their startup for the next five to 10 years. Our founders also understand that long-term plans require proper planning. Sixty percent of our founders say that they are implementing their strategic plan while only 6% say that they haven’t even talked about it.

A strategic plan is essential to every business because it will set the direction, and help determine the skills and experience needed to support growth. An effective strategic plan will set the business goals over the medium term, require objective key performance indicators as well as proper monitoring. While the founder or CEO usually takes ownership of the plan, the more people who contribute, the more there will be buy-in and better chances of success.

“Strategy can no longer be an approach of simply numbers and bottom lines, strategy must be built upon a long-term vision of growth, access, equality, innovation, and the human endeavor. The last of these is arguably the most important because linked to it is the critical concept of trust.”

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Bob Moritz
Global Chairman
PwC
With over 25 years’ experience in journalism through CNN and ABS-CBN, Maria Ressa shifted from the traditional ways of delivering news to going digital by establishing Rappler in 2011.

“What I was seeing globally was that large companies tend to calcify on workflows that were successful for them. However, technology moved so fast, and digital had changed so fast. The things that made traditional news groups successful were the very things that made them weaker in the new world. We saw that the opportunities in digital were incredible,” she says. Asked about the vision of Rappler, Maria replies: “If you ask what Rappler does, it is incidental that we are in investigative journalism. That’s old world. What we do is we build communities of action. In the end, the journalism we do provides our communities with their own pathway to action.”

She admits that their first six months were challenging. “The first challenge was getting rid of everything we thought we knew. I knew that 90% of startups are going to fail, and you don’t want to be one of the 90%. How do you do that? You take experience, and you take the wisdom to take a look at exactly where you are now. Experience tends to create the world the way it used to be, and new people coming in tend to look at it and make the best of it,” she says.

To combine both, Maria started with a team of 12 people, with five of them above 40 years old, and the rest, millennials. Maria shares that this formula helped them build Rappler: “I had 20 years with CNN, and I had six years with ABS-CBN. I thought to throw it all away, and have the courage to play. That’s hard when you get to a certain age. Our twenty-somethings loved the experimentation, but it was the older folks who said that we can keep what works, and throw out those that do not.”

How do they plan to remain different and ahead? Maria replies: “We’re more nimble. Our culture builds on both agility and experimentation. When you’re marking yourself against competitors, you’re not benchmarking against the future. What you need to do is to be very clear about how you see the world and how you see it evolving.”

Maria also shares that Rappler is not just here to deliver information, but to create an impact as well. “Our end goal is impact. We want to help Filipinos think better, and get the information they need so they can change their world. That’s what we are. We want to empower everyone, and give them the information to make up their own minds. They can then choose the path forward,” she says.

With Rappler’s presence in Indonesia, Maria describes how they were able to expand outside the Philippines.

“Market, market, market – this helped us expand. We looked at the Philippines as a huge market with around 100 million people, but I worked in a country that has more than twice the population. I worked in Jakarta for CNN, and Indonesia has around 250 million people. I felt that there were so many similarities. The median age in both countries is 22-23 years old, and both have a young population. The young population in Indonesia will be looking at the global market. The first reason to expand outside the Philippines is that the minute you’re born on the Internet, you’re global. If you have a global view, then you can take advantage of a global market,” she says.

Maria believes that Filipinos are creative, but still need help from the government and other partners. “I’ve seen some young folks who had good ideas, but they had to give away too much of their companies for capital. If we had some of the Silicon Valley capital here, I think we will have a more vibrant ecosystem. I think that there also has to be real education for our policy makers for them look at what the digital landscape will bring, and how it will be utilized. What does it mean for policy? Education in our ecosystem, and money that actually help great ideas – those will help the startups,” she says.

Having successfully transformed Rappler from a startup to a sustainable business, Maria shares the following tips to companies who plan to do the same:

“Be very clear about who you are. This goes down to those intangibles - which ultimately will make you money, but at the beginning won’t seem to have anything to do with it.”

“What are your values? What problem are you solving? Second, embrace your fear. Third, be insecure. Technology is changing so fast. No one can be complacent. Lastly, be globally competitive. You don’t have to scale to be global, you’re global when you are born. This is a brave new world.”
With our startups’ plans, 37% of our founders say that they will hire between 11 and 20 employees in the next two to three years, and another 37% say that they will hire fewer than ten new employees. These findings show that employment opportunities within the startup ecosystem may still be at minimal levels.

Our founders’ hiring plans may also be impacted by the challenges that they see throughout their journey. Similar to the earlier findings, 56% of our founders say that funding requirements will be among their top challenges in the next 12 months. Other major challenges include market conditions, the need to continually innovate, and attracting and retaining talent.

To help address our startups’ concerns as well as build more employment opportunities within the ecosystem, 59% of our founders say that improving tax incentives and the ease of doing business should be among the top focus areas in the Philippines. Fifty-five percent say that more access to capital should be provided to startups.

While the relevant bills and regulations are still under review, the government should provide alternative means to help solve these issues. Initiatives may include providing guidance on available tax and business incentives, educating foreign investors about the Philippine startup opportunities, and providing more business matching opportunities.

Monitoring the progress of the startups as well as setting milestones with them will also be beneficial – aside from the ongoing and planned events. Measuring results after each startup event will also be helpful to ensure that action and impact are created.

**Q** What should be the top three focus areas to help the startup build sustainable businesses?

- **10%** Better intellectual property protection
- **22%** Improve education system to have more startup founders
- **29%** Improve investment incentives
- **43%** Increase government’s investments in internet infrastructure
- **55%** Provide more access to capital
- **59%** Improve tax incentives for startups
- **59%** Improve ease of doing business
- **56%** Market conditions
- **56%** Funding requirement
- **52%** Need to continually innovate to keep ahead
- **41%** Ability to attract and retain the right talent
- **28%** General economic situation
- **25%** Government
- **18%** Growing presence of foreign startups/tech companies in the Philippines

**Q** How many new employees are you planning to hire in the next two to three years?

- 37% Fewer than 10
- 37% 11 to 20 employees
- 15% More than 40
- 11% 21 to 30
- 1% 31 to 40

**Q** How many full time employees are working for your startup?

- 80% Fewer than 10
- 8% 11 to 20 employees
- 9% 21 to 30
- 3% More than 40

**Q** What are the top three internal and/or external issues or challenges that will affect your startup in the next 12 months?

- 56% Market conditions
- 56% Funding requirement
- 52% Need to continually innovate to keep ahead
- 41% Ability to attract and retain the right talent
- 28% General economic situation
- 25% Government
- 18% Growing presence of foreign startups/tech companies in the Philippines

Off to a great start: The Philippine startup ecosystem | PwC
Despite the challenges they’ve cited, 54% of our founders say that they will enter new markets in the next five to ten years, and 31% say that they will have stable revenue and profit levels. With their bold plans, our founders should revisit their hiring plans because these will require specific and perhaps more talent.

In the same manner, the capital requirements must be addressed to ensure that the growth plans will follow the planned timeline. Capital requirements must not only include marketing initiatives and product development, but also hiring, overhead support, and other preparatory activities such as due diligence and market studies.

Evidently, our founders understand these as they’ve cited innovation, profitability, and talent retention as the areas that they should prioritize to ensure long-term success.

The search continues for the first fabled unicorn startup in the Philippines, but even then, having one does not have to be the sole definition of the success of the country’s startup ecosystem. The more important tasks ahead center on fostering a business environment conducive to building a culture of entrepreneurship founded on the correct systems and practices.

Once in place, there will be reason to hope that the Philippines will not just have one unicorn but a whole team of billion-dollar startups.
Philippine startup ecosystem

- 300+ Startups
- 20+ Incubators/Accelerators
- 20+ Venture capitalists
- 30+ Co-working spaces
- 30+ Angel investors
- Government
- Educational institutions
Minette B. Navarette, President

Kickstart Ventures
Venturing beyond capital

Kickstart Ventures (Kickstart) is Globe Telecom’s wholly-owned corporate venture capitalist, and like any startup, they started with a pitch and without a fund.

“I joined Globe in 2006 to do innovation. At that time, Globe was almost pure-play mobile, and content and digital were not in the plan. Sometime in 2011, Ernest [Cu, Globe Telecom CEO] and I were meeting over breakfast, and I pitched the idea of open innovation. At this point, we had done a lot from inside Globe, and the thesis was that if you had a look globally around which companies are truly innovating and defining industries, nothing had really come out of the big enterprises. Most of the innovative companies started in garages and dorm rooms, and the reality was, and is, that a lot of innovation would come from startups. We could drive growth from having that humility to say we are not going to invent every single thing that drives Globe forward, and therefore a more open form of innovation through investments and partnerships is where we would go.”

After getting board approval, Minette and Ernest formed their team, and formally established Kickstart Ventures in 2012. From the initial US$2.5m evergreen Fund 1 for Philippine Seed Stage startups, Kickstart raised its second fund, a US$50m Growth Stage fund, in 2015. The team has so far invested in 34 startups across different sectors – SaaS, health tech, fintech, social impact, and e-commerce and digital consumer lifestyle. With the capacity to invest up to US$5m cheque size, Kickstart has expanded its reach globally, and the portfolio now includes investments in the USA, Israel, Canada, and Indonesia.

Kickstart has invested in some of the Philippines’ most active startups teams like Kalibrr, Lenddo, mClinica, Coins. ph, Lifetrack, ZAP, and engageSPARK – who are growing their business in the Philippines and overseas.

As an investor, Minette shares what they look for in startups: “First is robust market selection. The total addressable market is essential, and it’s also important to choose a launch market well. We’ve come across startups that are maybe Silicon Valley-based, but the launch market is here in the Philippines. This is because when they run their numbers, they find out that the demand is here. Secondly, the quality of the team is absolutely critical. We look for a team that has the right to win, and not just the right to play. We want a team that has a good fit with our values.”

“We’ve seen teams who will likely succeed, but if integrity is not as important to them as it is for us, then we would not be well-placed to fund and support them.”

Minette says that Kickstart goes beyond providing cash to startups. “As a strategic investor in a corporate venture capital firm, it matters to us that we are able to contribute beyond the cash – that we can offer market access, introductions to partners and mentors, and expert advice. A key conversation we have is the ‘Wish List’ conversation: cash can be a commodity, so it’s important to be clear what value the founders care about outside of funding, why they are accepting our investment.”

When asked about the focus areas of startups, Minette replies, “Especially in the early stage, startups should focus on the customer, and solving meaningful problems for the customer. Sometimes founders fall in love with the product and technology, and they lose sight of the customer. The teams that do well are those who are focused sharply on customers, always.”

To have more successful startups, Minette shares her insights on the government’s role: “Government can support startups via a consultative policy environment, and policy coherence across government agencies. Many economic and regulatory policies today are carryovers from economic concerns from 70 years ago. Government could work with the startup community, and learn from the experiences of practitioners here and overseas, to develop progressive, founder-centric, results-oriented policy improvements.”

With the support of Globe, the Ayala Group, and Singtel, Minette admits that they still have bigger roles to play to help the startups. “Success for us is to be able to credibly drive value in startups through forging real partnerships, and real commercial agreements with other companies – whether that’s Mynt, the Bank of the Philippine Islands, Ayala Land, Manila Water, or within the Singtel network. Our job is to create new innovation pathways – to build the bridges that cross established boundaries, to help startups go farther.”
ExpressPay, Inc. serves as an alternative financial solutions provider to the unbanked sector of the Philippines. In 2011, Allen and his team established the company to provide information technology solutions to banks, financial institutions, and other entities involved with electronic fund transactions. Starting with only four branches, it expanded to over 1,000 operating franchisees that offer bills payment, money transfers, load payments, travel and tours ticketing, and courier services.

Allen shares the challenges of growing their business, “Our fast growth presented challenges to our people, process, and technology. The nearly 200% year-on-year growth in the number of our outlets and transaction volume required us to augment our staff with qualified personnel, train existing manpower, and find ways to automate our processes. Our technology also had to evolve to cope with the volume of transactions and the increased security risks. This was somewhat anticipated at the beginning when we decided to pioneer the use of cloud computing, and hosted our system with Amazon Web Services. To address hacking attacks prevalent with any online electronic transactions, we migrated our database to a more secure technology – No SQL technology.”

He emphasizes that their processes and technology allowed them to expand their branch network without technological or geographical limitations. “Our people, process, and technology helped us expand from four outlets to more than 1,000, and growing. Management was able to determine the right services that our target market needs. To deliver more services, we also formed partnerships with companies from different sectors – financial services, logistics, travel, utilities, telecommunications, retail, etc.”

At present, ExpressPay is working with over 100 merchants and partners that include Meralco, Manila Water, Smart Money, iRemit, 2Go, Philippine Airlines, and Security Bank.

Allen believes that the Philippines still has a huge unbanked sector, and their services can help more Filipinos. “We intend to grow our branch network to 10,000 outlets in the next four years. We plan to expand in Northern Luzon, Visayas, and Mindanao, where our services are badly needed. Early this year, we have opened our regional office in Cebu City. This is the start of our regional expansion.”

To support their growth plans, ExpressPay recently filed an application for an initial public offering on the Philippine Stock Exchange.

“We intend to raise capital to enable us to grow our branch network faster, and allow us to improve our services. Through the additional funds, we plan to invest in better technologies to provide faster services that are more cost-efficient. To remain competitive, we continuously make use of our market knowledge to offer new and better services.”

For Allen, the country’s robust economic growth and stable political government in the past five years helped attract international investors. Nevertheless, he believes that further work is needed to help more startups in the country. “I believe that the government should create a new bill for innovative startups that will enable them to enjoy benefits such as tax breaks and incentives. Second, put measures to improve the ease of doing business. Lastly, help more foreign financial institutions to enter the Philippines.”

As an IPO candidate, Allen shares the following tips: “First, know your target market. A good product will not sell if it’s not the right market. Second, make use of technology to offer better products and/or services. The right use of technology will allow you to compete with even with the existing players. Finally, be bold and agile in your decisions and execution. These are always the advantages of smaller companies over the lumbering giants.”
Improving success rates in startups

- Find the right market
- Validate as quickly as possible
- Pivot when needed
- Hire the right talent
- Know your numbers
- Embrace good governance
- Sell, sell, sell
- Form the right partnerships
- Focus then scale up
- Think global
- Focus then scale up
VentureHub@PwCPH

Knowing the needs of startups, SMEs, and entrepreneurs, PwC Philippines launched VentureHub@PwCPH on 14 March 2017. VentureHub@PwCPH is a one-stop-shop approach to offering solutions to startups, SMEs, and entrepreneurs who want to grow and professionalize their businesses.

With capital as one of the primary concerns of startups and entrepreneurs, the Venture Hub gives businesses access to PwC’s investor network in 158 countries. Understanding that customer validation is critical to success, PwC also connects startups to its client base in the Philippines and overseas. PwC’s Global Gateway also provides professional expertise, and strong industry knowledge helping to deliver tailored solutions that meet the needs of fast-growing startups, entrepreneurs, and venture capitalists.

We’re committed to getting startups and entrepreneurs privileged access to the relevant markets, strategic partners, and appropriate financing solutions. As a long-term advisor, we can guide you in your journey towards growth and becoming a professional business. We have an international network of global experts, sharing the same vision, an entrepreneurial mind-set and common methodologies.

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Profile of respondents and other data

Number of respondents

106 respondents
Age bracket

- 25% 36 to 45 years old
- 21% 25 and below
- 46% 26 to 35 years old
- 6% 46 to 55 years old
- 2% 56 and above

Gender

- 18% are female
- 82% are male

Position/designation of respondents

- 95% of the respondents are founders

Number of years of the startup

- 79% 1 to 3 years
- 12% 4 to 6 years
- 9% Over 6 years

Business type

- 58% Business-to-business
- 35% Business-to-customer
- 5% Customer-to-customer
- 3% Business-to-government

Industries

- 35% Technology
- 15% Retail
- 9% Financial services
- 5% Telecom
- 4% Media and entertainment
- 4% Transportation
- 3% Healthcare
- 2% Energy
- 2% Consumer products
- 2% Manufacturing
Research methodology

The survey was conducted by PwC, in collaboration with QBO Philippines. 106 startup CEOs and founders answered the survey. The survey methodology used was an online questionnaire.

We also conducted face-to-face in-depth interviews with 22 founders, investors, and accelerators to support the findings of the survey. Their interviews are featured in this report.

The interviews and survey responses were also spread across a range of industries.

The results were tabulated and analyzed by PwC

Notes:

• Not all figures add up to 100%, due to rounding of percentages and exclusion of “no comment” or “no response”

• The base for figures is 106 (all survey respondents) unless otherwise stated.
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Inc.
About QBO

QBO (pronounced as “ku-bo”) is the country’s first public-private initiative for startups, made possible through the collaboration of IdeaSpace, J.P. Morgan, the Department of Science and Technology (DOST), and the Department of Trade and Industry (DTI). Launched in August 2016, we are an innovation hub and startup platform established to promote and develop a globally competitive startup ecosystem in the Philippines by facilitating dynamic collaboration among entrepreneurs and encouraging participation from stakeholders from across diverse industries and disciplines; promoting entrepreneurship and startup culture; empowering and cultivating talent; providing mentorship, management training, market access and exposure opportunities; and expanding the development of startup support initiatives among corporates, the government and multi-lateral organizations.

We directly support startups by providing them with access to capital, resources, information, networks and expertise as well as by offering in-house programs that accelerate growth. This includes a workspace facility that serves as a pilot for a planned network of startup facilities throughout the country, as well as a highly focused, customized incubation program designed to level the playing field for and fast track the growth of the most promising ventures. Through these initiatives, we seek to promote innovation and create Filipino startup ‘success stories’ that not only create wealth and jobs, but also inspire the next generation.

Spurred by the vision of ‘Filipino Startups Changing the World’, we aim to develop the Philippines as a center for innovation and unleash the potential of an entrepreneurship-driven economy as a means to nation building, sustainable development, and inclusive growth.

About PwC

Isla Lipana & Co. is PwC in the Philippines

We have provided professional services in the Philippines for 95 years. We stick to the highest quality standards in delivering audit and assurance, tax and advisory services within and outside the country.

Our diverse team of experienced professionals includes accountants, tax advisers, lawyers, systems analysts, economists, human resources professionals, project development managers, industrial engineers, and investment advisors.

Our people are active in various professional, public and private sector organizations and participate in public forums involving taxation, investment incentives and advocacy issues. We make sure we keep up with the latest developments so that we can give clients informed advice on different issues that might affect their businesses.