2018 Taiwan Startup Ecosystem Survey

Summary of findings

November 2018
Foreword

Rapid progress in technological innovation and changing consumer behaviours are resulting in significant changes to business models, operations and ecosystems around the world. This is reflected in the rise of start-ups, which are breaking down traditional industry boundaries and introducing new competitive dynamics to the marketplace.

This is also the case in Taiwan, which has a thriving start-up culture and a growing group of talented, budding entrepreneurs. Government support is also critical. In February 2018, the National Development Council launched an action plan aimed at creating a robust start-up ecosystem, raising Taiwan’s visibility internationally, and making it a leading start-up nation.

To better understand the local start-up landscape, PwC Taiwan conducted the 2018 Taiwan Startup Ecosystem Survey in collaboration with the Taiwan Institute of Economic Research, the Taiwan National Association of Young Entrepreneurs, the Taiwan National Association of Small and Medium Enterprises, and the Taiwan Start-Up Hub of the Executive Yuan.

The survey used an online questionnaire and interviews (with venture capitalists, incubators/accelerators and advisory bodies) to analyse Taiwan’s start-up ecosystem, looking at how entrepreneurs are influenced by a range of factors, such as government support, funding and capital market access, and collaborative interactions with larger-scale companies.
Survey methodology

The 2018 Taiwan Startup Ecosystem Survey is based on an online survey and interviews, which were conducted between 20 March and 10 July 2018. The Chinese-only report was released on 15 August 2018.

› **Online survey** conducted between 20 March and 2 May 2018.

  The survey population was sourced from start-ups that had received support from institutions like the Taiwan National Association of Young Entrepreneurs, the Taiwan National Association of Small and Medium Enterprises and Taiwan Start-Up Hub, as well as other start-ups contacted by PwC Taiwan. The total survey population was 3,500, and 317 valid completed surveys (out of a total of 367) were collected, of which 178 respondents had already formally registered as companies in Taiwan.

› **In-depth interviews** conducted between 24 May and 10 July 2018.

  A total of 25 interviews were also conducted by PwC Taiwan with various start-up entities, venture capitalists, start-up incubators and accelerators, and large-scale enterprises from across Taiwan.

Key survey findings

70% of entrepreneurs started a business for the first time

3 top challenges on starting include funding, market conditions and talent

55% target China as their main overseas market, followed by SE Asia, North America

12% of respondents plan to go public in the next 3 years

48% are willing to cooperate with larger companies to develop products/services

68% would consider a takeover from a large-scale company
Entrepreneurs and start-up founders
Background profile - entrepreneurs

Age
- 13% under 30 years old
- 21% 31~40 years old
- 46% 41~45 years old
- 20% over 45

Gender
- 61% Male
- 39% Female

Academic background
- 57% have business or liberal arts backgrounds
- 19% Business
- 14% Liberal arts
- 14% Marketing
- 10% Finance
- 13% Information technology
- 13% Engineering technology
- 7% Science
- 10% Other

Prior work experience
- 11.3 years: Average prior work experience
- 56% Worked or studied abroad
- 70% First-time entrepreneurs
- 94% Had a job beforehand
Top motives for start-ups
1. New market opportunity (35%)
2. Better products/services (33%)
Operational challenges and opportunities
Top challenges and priorities for Taiwan’s start-ups

The biggest challenges when starting up

- Funding: 33%
- Market conditions: 20%
- Talent: 16%
- Regulations: 14%
- Competitors: 12%
- Other: 5%

Demands for more government support

- More variety in funding channel: 21%
- Tax incentives: 13%
- Resources for going into overseas markets: 12%
- Government procurement: 9%
- Regulation reform: 9%
- Entrepreneurship education: 7%
- Investment incentives: 7%
- Improvement of infrastructure: 6%
- IP protection: 5%
- Improving education: 3%
- Incubation laboratory: 3%

What areas need most improvement?

- Breaking into new markets: 19%
- Talent management: 13%
- Sales marketing and promotion: 23%
- Provide new technologies or products: 10%
- Financial management: 6%
- Process or admin management: 9%
- Development of products/services: 20%

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Weak profitability and lack of internationalisation

Current financial status and underlying reasons

- 24% Gaining profit but not meeting expectations
- 28% Profitable and expected to grow
- 48% In the red
- 10% Recession
- 10% Lack of effective business model
- 14% Manufacturing costs too high and unable to scale up operations
- 18% Initial set-up outlay too high
- 25% Lack of marketing channels or customers

Geographic revenue sources

- 71% Domestic market
- 12% Overseas market
- 17% Refuse to answer

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**Start-ups looking to expand overseas but lack resources**

**Top target overseas markets**

- **China**: 55%
- **South-east Asia**: 30%
- **North America**: 10%

**Constraints on overseas expansion**

- **Lack of local resources**: 45%
- **Current products/services do not meet overseas demand**: 12%
- **Language Issues**: 7%
- **Lack of internal resources**: 30%
- **Others**: 6%
Funding and capital market access
**Start-ups keen to attract external investment**

**Top motives for choosing investors**

Some 69% of respondents plan to seek investment from institutional investors in the next three years. The main reasons for doing so are to obtain access to globalised networks, funding, and specialist expertise.
Start-ups’ views on whether or not to go public

Any plans for to IPO in next few years?

- 55% 5 years and over
- 33% 3~5 years
- 12% 1~3 years

Top considerations for going public

- 41% Revenue and profits
- 22% Retain control
- 19% Robustness of management
- 11% Regulation compliance
- 7% Talent availability
M&A and corporate collaborations
How do start-ups view cooperation with big companies?

In the next 3-5 years, would your start-up consider accepting a takeover offer from a large-scale company? Why or why not?

- Yes: 68%
  - 66% Beneficial for company’s long-term development
  - 28% Already met founding objectives
  - 3% Ready to exit
  - 3% Other
- No: 32%
  - 76% Protect founding intention
  - 16% Stable growth
  - 5% No consensus
  - 3% Other

What kind of business interaction or relationship would you wish to make with a large-scale company?

- Cooperate to develop products or services: 48%
- Become a supplier: 32%
- Funding: 15%
- 5% Other

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Contact us

Ryan Huang
Leader of Innovation and Entrepreneurial Services
+886 2 2729-5672  ryan.huang@tw.pwc.com

Violet C Lo
Director, Markets and Business Development
+886 2 2729-6666 x 26600  violet.c.lo@tw.pwc.com