

MIT REAP Report on the Singapore Startup Ecosystem 2015

Executive Summary

Having turned 50 as a nation in August 2015, the city-state is coming into its own as one of the start-up capitals of the world. As an advanced economy with no natural resources, Singapore is banking on innovation-driven entrepreneurship and the global launching of homegrown companies for its next evolution. The conditions for this are primed: the country has built up ambitious, forward-looking research institutions and a strong intellectual property protection framework, as well as a philosophy and tradition of growing local talent while also welcoming talent from across the globe.

"(I believe) Singapore's strength lies in our interconnected ecosystem, and the ability to come together to create innovative and useful solutions for the future. There are many disadvantages to being small, but being able to bring the ecosystem into one Big Tent is our strength and advantage. There is no other nation in the world better placed than Singapore to unify policy, technology and industry towards being a Smart Nation." notes Ms Yong Ying-I, Permanent Secretary, National Research and Development and Public Service Division, and former Chairman of the IDA Board¹

A look at the start-ups that Singapore has spawned in recent years tells part of the story. There are the headline-grabbers well on their way to becoming unicorns at the billion-dollar mark, including transport start-up GrabTaxi, e-commerce portal Lazada and social gaming start-up Garena. The first two have garnered single investments of at least US\$250 million,² while Garena boasts a user base that breaches the 100 million mark and a reported valuation of more than US\$1 billion.³

Zopim, an innovator on the B2C live chat software scene, represents a Singaporean success story. Jumpstarted while its four founders were attending the National University of Singapore, the start-up grew a sustainable business model before being acquired by customer service giant Zendesk for a reported US\$29 million in 2014.⁴ The following year,

¹ *IDA Singapore*. (2013, October 29). Opening address for IDA chairman, Ms Yong Ying-I, at Google Big Tent event. Retrieved from <https://www.ida.gov.sg/About-Us/Newsroom/Speeches/2013/Opening-Address-for-IDA-Chairman-Ms-Yong-Ying-I-at-Google-Big-Tent-Event>

² Tay, D. (2014, December 1). Lazada reels in \$250m funding led by Temasek, bringing total to \$650m. *TechInAsia*. Retrieved from <https://www.techinasia.com/lazada-250m-funding/>; Tay, D. (2014, December 4). GrabTaxi raises a record \$250m, plans to leave other regional players in the dust. *TechInAsia*. Retrieved from <https://www.techinasia.com/grabtaxi-raises-250m/>

³ Chng, G. (2014, December 27). Start-up ecosystem grows steadily this year. *The Straits Times*; Chng, G. (2014, July 27). Gaming firm puts S'pore in billion-dollar club. *The Straits Times*.

⁴ Lunden, I. (2014, April 10). Zendesk buys live chat provider Zopim for up to \$29.8M as it files for \$150M IPO. *TechCrunch*. Retrieved from <http://techcrunch.com/2014/04/10/zendesk-buys-zopim-will-add-its-live-chat-platform-to-its-cloud-based-helpdesk-solution/>

Zopim and its team of homegrown talent provided the engine for Facebook's Businesses on Messenger app.

Other Singapore-grown start-ups illustrate the diversity of the scene. Astroscale develops technologies to clear debris in space, while CreoPop produces a 3D pen⁵ utilising light-sensitive photopolymer cool ink, in the process eliminating issues of melting plastic and hot parts. Giving the lie to Singapore's staid image is Vibease, makers of a wearable smart vibrator customised for erotica or long distance relationships.

Start-ups may present the face of the scene, but what of the ecosystem as a whole, the conditions that allow start-ups to grow and thrive as well as the infrastructure that supports them? These are the areas in which Singapore has been investing and carefully shaping, to complement strategic advantages such as its location and traditionally pro-business environment.

As Tim Draper of DFJ Venture, which has backed Skype, Twitter and Baidu among others, says, "The government here (in Singapore) is so progressive and so entrepreneurial, and so excited about what they do (for start-ups). It's unprecedented. You have the best technologies in the world, the best education system, the people here are the brightest in the world, and you need to get those great ideas to the rest of the planet.

For any entrepreneur, market fit and access are key. Singapore's population is cosmopolitan, tech-savvy and as a microcosm of diversity, provides the perfect market and test-bed. The reach of this island nation stretches far beyond its shores however - from at least the 14th century, Singapore has been one of Asia's leading trade hubs. Today setting up a Singapore company is a virtually instant recipe for a regional company. Luxury goods e-retailer Reebonz provides a case in point - within six years of starting in Singapore in 2009, the company has expanded to eight⁶ countries worldwide.

South East Asia, joined under the umbrella of the Association of South East Asian Nations (ASEAN), lists a combined GDP of US\$2.9 trillion (as of 2015) and a population base of some 600 million people.⁷ Of this market, some 67 million households have discretionary consuming power, with this number projected to almost double by 2025.⁸ Closer economic integration has been a key focus of the 10 ASEAN states for decades. For more on regional markets, links and the various resources available in Singapore for internationalisation, see the [Gateway Singapore](#) section.

⁵ *Creopop*. (n.d). About us. Retrieved from www.creopop.com

⁶ Sakawee, S. (2013, September 4). Reebonz piggybacks on Thailand's love of luxury brands, will soon add more product categories. *TechInAsia*. Retrieved from <https://www.techinasia.com/reebonz-piggybacks-thailands-love-luxury-brands-add-product-categories/>

⁷ *ASEAN Secretariat*. (2014, April). Thinking globally, prospering regionally: ASEAN Economic Community 2015. Retrieved from http://www.asean.org/images/resources/2014/May/AECKeyMessagesBooklet_FINAL30Apr2014.pdf

⁸ Vinayak, H. V., Thompson, F. & Tonby, O. (2014, May). Understanding ASEAN: Seven things you need to know. *McKinsey & Company*. Retrieved from http://www.mckinsey.com/insights/public_sector/understanding_asean_seven_things_you_need_to_know

Financing and the ecosystem's infrastructure and resources are integral to a start-up's survival and growth. In terms of government schemes alone, there are more than 10 start-up funding programmes comprising seed grants, equity financing, loans and tax incentives to tap on. Private financing including a burgeoning VC and angel sector are increasingly sweet on Singapore start-ups, with *The Asian Venture Capital Journal* estimating the pool of available venture capital managed in Singapore in 2013 at US\$24 billion. That year, there was funding of more than US\$1.7 billion. See [The Singapore Start-up Scene](#) section for more details.

The importance of the research and development (R&D)-innovation-enterprise axis to Singapore's economic future is reflected in the government's attention to these interconnected ecosystems. Since the 1990s, the budgets of government R&D plans have grown nearly five times to S\$19 billion for the latest Research, Innovation and Enterprise 2020 Plan (RIE2020). Education and research institutions are oriented towards innovation, and the RIE2020 plan underscores the importance of public-private partnerships as well as collaborations between multinational companies and local small-to-medium enterprises.⁹

The result of such a concerted effort to shape and build Singapore's start-up ecosystem saw a seven-rank increase to number 10 in just a year¹⁰. This report illustrates that journey and sets the context for exciting times ahead.

⁹ RIE2020: What You Need To Know About Singapore's Blockbuster \$19b R&D Budget. (2016, January 11). *Asian Scientist*. Retrieved from <http://www.asianscientist.com/2016/01/topnews/rie2020-rnd-budget-singapore/>; National Research Foundation. (n.d.). RIE2020 Plan. Retrieved from <http://www.nrf.gov.sg/research/rie2020>

¹⁰ Global Startup Ecosystem Ranking 2015. (2015, July 26). *COMPASS*. Retrieved from <http://blog.compass.co/the-2015-global-startup-ecosystem-ranking-is-live/>