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STOCKHOLM EDITION 2013

# HOT TOPICS™

Technology Leaders Community



## STOCK HOLM --- IS RISING

KLARNA CEO, SEBASTIAN SIEMIATKOWSKI

PLUS: WRAPP | IZETTLER | TELE2 | CREANDUM | TICTAIL | INSTABRIDGE | EUROPEAN LEADERS | ONES TO WATCH



## Welcome...

...to the Stockholm edition of our Hot Topics publication and our first focus on a specific tech hub. With the spotlight starting on Stockholm, we certainly picked a thriving ecosystem to focus on.

A central theme of this edition is the changing attitude towards entrepreneurship in the region. In the wake of the international success of the likes of Skype and Spotify in recent years, we are now seeing a new generation of entrepreneurs, inspired to create the next wave of great Swedish tech companies.

We are excited to be able to include a number of those entrepreneurs in this publication and we have been struck by the collective positivity amongst them. That was evident at our Stockholm event earlier this year and is prominent throughout these interviews.

For Hot Topics, the next stop is Silicon Valley where we have our inaugural event over there on September 18th. We have a number of the industry's heavyweights converging to discuss the next wave of billion dollar tech start-ups and how to take US companies global. Take a look at the full line up of speakers on page 4.

This community has grown phenomenally over the course of the year and we are now encouraging increased communication through our [LinkedIn group](#).

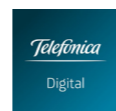
Thanks for your continued participation.

**Philip Randerson**  
Founder, Hot Topics  
Managing Director, European Leaders

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## The Future of Online Payments

### Sebastian Siemiatkowski CEO

Hot Topics' Tom Lytton-Dickie caught up with Sebastian Siemiatkowski, Klarna's CEO, to discuss the company's journey since its inception, the importance of culture within a global organisation and what the future holds for methods of online payment.

When 23-year-old Sebastian Siemiatkowski launched a company with two friends at the Stockholm School of Economics he couldn't have known what he was starting. Klarna, which provides consumers and merchants with a safe and simple way to buy and sell online, was founded in 2005 and is now one of Europe's fastest growing companies, reaching \$200 million in revenue, 800 employees and has attracted over 10million active users. In December 2011 the company raised a whopping \$155m of investment in a round led by General Atlantic and DST Global. The organisation provides the main online payment method in its home country of Sweden and is showing strong growth in six additional European countries.



### Taking the Plunge

In the same year Siemiatkowski launched Klarna he recalls reading an article in a Swedish magazine. It showed a survey in which people categorically stated they believed earning money was socially more respectable than inheriting it. That entrepreneurial spirit, he believes, was crucial in the early stages of the company's formation. "The most important thing was that we took small steps. We decided to try it for six months and then see where we got to." In the first year they got to a turnover of 150,000 Euros, the year after that 1.2 million, then 3 million, then 9 million and last year around 120 million. Siemiatkowski says it wasn't until 2008, when they grew to revenues of 9 million Euros, that they realised they were "on to something very special". He insists however, there were several things that, in hindsight, they should have done differently. "We had very weak support in that we didn't have any mentors who had made a similar journey before. We were very inexperienced and to some extent very cocky. We made a lot of mistakes and in general



failed to understand this had the potential to be such a big business. We could have been more aggressive about acquiring talent, talent with more experience and stronger backgrounds in other successful companies."

"The whole landscape is changing. It's much less clear where banks start and where payment companies finish."

### Development and Culture

Attracting investment from Sequoia and the subsequent appointment of Michael Moritz as a board member in May 2010 was a major development, if somewhat unusual. Chairman of Sequoia Capital and formerly on the board of Google, Yahoo! and PayPal, Moritz had never invested in a company outside the US prior to Klarna. As well as gaining from his vast experience, linking up with one of Silicon Valley's most prominent VCs gave Siemiatkowski and his co-founders a reference point for the international expansion they were trying to achieve. "Michael is a very strong product person who really understands how important the product is for the success of a company. He is extremely valuable to bounce ideas off and for the network of people he can connect us to." Methods of online payment are frequently discussed but Siemiatkowski says to dominate the market it is necessary to understand the detail and be clear on core objectives. Out of 100 people that click to checkout online, only 33 from a desktop and three from a mobile device will actually finalise the purchase. "The ambition we had set for the company was that online payments were broken and needed to be fixed. After so many years working we realised we had solved some of the problems but also a lot of the problems were still there. Merchants find it very tricky to monetise efficiently in every country because of lo-

cal standards of payment while as a consumer you're asked too many questions and there is a lot of friction before you can buy something."

Siemiatkowski says that as the company has expanded he has had to "grow up" as a leader. He sees psychiatrists, behavioural therapists and mentors to ensure his leadership maximises rather than inhibits the company's potential. He insists though there is a balance to be struck between fast growth and retaining culture. "We know the online industry is growing quickly and there is a huge demand for solving the payment issue. As a result sometimes you have to be pragmatic but even in a window of opportunity I tend to err towards preserving culture. Culture is important to us and we believe it supports the company." Siemiatkowski says he is "not super-impressed" by Silicon Valley when it comes to culture building and that he draws more inspiration from traditional companies in manufacturing. "What I'm looking for when I'm looking for cultural inspiration is a company that started with culture or at least where culture can prove itself to really be the beginning of success."


### The Future

Siemiatkowski believes new technologies is allowing payment to be carried out more cheaply, directly and efficiently than ever before and this could have repercussions for "big players" like Visa and MasterCard. "The whole landscape is changing. It's much less clear where banks start and where payment companies finish. I think 10 to 15 years from now probably one or two of the giants like Visa and MasterCard will have big issues while others will be successful in acquiring companies. There will be much fiercer and tougher competition than there has been." Klarna's intention to play a central role in the new landscape however is steadfast. "We have extremely high ambitions for the company. I genuinely think we will be a multi-billion dollar business but there's a lot of work that needs to be done before we get there." ■


## EXECUTIVE INTERVIEWS

 <b>klarna</b> Sebastian Siemiatkowski CEO <b>THE FUTURE OF ONLINE PAYMENTS</b>	 <b>Wrapp</b> Hjalmar Winbladh CEO <b>UNWRAPPING THE WORLD OF SOCIAL GIFTING</b>	 <b>TELE2</b> Joachim Horn Executive VP / Group CTO <b>RINGING THE GAME CHANGERS</b>	 <b>iZettle</b> Jacob de Geer Co-Founder & CEO <b>DEMOCRATISING CARD PAYMENTS</b>
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## VC FOCUS



  
**CREANDUM**  
 Fredrik Cassel  
 General Partner  
**BACKING THE COMPANIES OF TOMORROW**

## Q & A FEATURE

  
**ib**  
 Niklas Agevik  
 CEO  
**WI-FI MADE EASY**
  
**tictail**  
 Carl Waldekrantz  
 CEO  
**REMOVING BARRIERS TO E-COMMERCE**

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## GUEST ARTICLES

  
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 CEO  
**MOOR OPPORTUNITY AND MORE WOMEN IN SWEDEN!**
  
**SWEDISH STARTUP SPACE**  
 James Pember  
 Founder  
**SWEDISH STARTUPS: SOMETHING IN THE WATER**

## ...AND FINALLY

  
**EL EUROPEAN LEADERS**  
 Martin Falch  
 Director  
**FLYING THE FLAG FOR THE NORDICS**



# Unwrapping the world of Social Gifting

Hjalmar Winbladh CEO, Wrapp

Hot Topics' Tom Lytton-Dickie caught up with Wrapp's CEO, Hjalmar Winbladh, to discuss the growing market of social gifting, the thrill of start ups and how being 45 is the equivalent of being 95 in the technology industry.

Wrapp, the leader in the social gifting space, allows users to send both free and paid digital gifts and gift cards to friends. Established in early 2011, the company reached the 1 million user mark in January 2013, with over half of those users based in the US. Headquartered in Stockholm and with an office in San Francisco, Wrapp has raised investment from Greylock Partners, Atomico and Creandum. The company can also lay claim to having two tech superstars on its board of directors, in the form of Niklas Zennström, (Skype) and Reid Hoffman, (LinkedIn).



Statistics suggest that the social gifting space was a \$10 billion market last year and is growing at an 8-12 per cent yearly rate.

Hjalmar Winbladh is the man ensuring Wrapp take the lion's share of that market. A veteran of the Stockholm tech scene, Winbladh's achievements include co-founding the first ever mobile internet company, Sendit AB, in 1994 which was acquired by Microsoft five years later, before establishing the VOIP company, Rebtel. He recalls "falling into entrepreneurship at Stockholm University at a time when entrepreneurship was not considered something to aspire to".

Echoing similar comments made by iZettle's CEO Jacob de Geer regarding the changing perception towards entrepreneurship in Sweden over the last two decades, Winbladh said, "I think we have seen a shift over the last 20 years. Jobs are no longer being created in big companies, jobs are created in entrepreneurial and growth companies and that is being embraced and recognised more than previously." He added that a lot more people in Sweden are realising "the excitement and opportunity of being an entrepreneur".



## Taking risks

The excitement, for Winbladh, is in the start-up stage. "There's never a dull moment in a start-up. You need to be able to thrive in the changing environment, where you know that you're exploring new ground and doing things that have never been done before. It's quite demanding and it's not for everyone."

"I like to take risks. Success is not final and I don't think failure is something that is fatal for me," he continued. "I'm willing to take risks and I'm willing to fail and I enjoy building things that have higher risks because no one else has done it before."

"I like to take risks. Success is not final and I don't think failure is something that is fatal for me"

Winbladh, who admits to having "about 20 ideas floating around my head all the time", said the concept of Wrapp formed by just thinking how transformative the retail industry will be over the next 10 years while the smart phone has the opportunity to be the "Trojan horse in building consumer and retail relationships".

Retailers are currently paying huge amounts for intrusive pop-up advertising and need more efficient channels to reach their consumers, he added.

"What you see of Wrapp at the moment is just the first step of a fairly long mission we have for the company," said Winbladh. "The whole vision is to build a completely new way of how consumer and retailers are connected with each other and build up trust and respect for each other and using the smart phone as a mechanism to create an interactive relationship between retailers and customers."

Instead of paying for advertising, retailers offer a certain amount of free gift cards to create a positive brand relationship.

## Entering the US

The company is incredibly proud to have broken into the US retail market, which accounts for around a quarter of the world's retail market and Winbladh anticipates a shift in how retailers spend their marketing money.

"The money being paid to us is mainly from the marketing budget which is about a \$180 billion market business or \$180 billion dollar opportunity.

"I think there will be a \$100 billion dollar shift in how retailers are spending their marketing money in the US in the next five years. I believe printed press, direct marketing and TV marketing around the world will decrease and new innovative digital marketing methods around the smart phone will increase tremendously within the next five years.

He also envisages a \$30-50 billion shift in the

gift card space. "Of course retailers need to re-think about how they are going to interact with you on the platform you are most active on."

Winbladh added that most retailers are "very, very aware" that things are changing, getting more competitive and they need to find new more efficient ways to keep connected with their customers and fans.

"I think we are in the middle of a very interesting partnership right now, that's the reason why as a small start up company from Stockholm we've been able to work with companies such as Victoria's Secret, H&M, Toys R Us, Nike and so forth."



## Thrills

"Utilizing new technology in a combination of new business models is something that thrills me," says Winbladh. However, he says that being 45-years-old is the equivalent of being 95 in a different industry and may pursue other opportunities within the entrepreneurial eco system after Wrapp where he is not the CEO or the forefront person.

"Based on the accumulative experience I've been able to achieve, I feel I could be sharing my experience and my wrong doings with other entrepreneurs and supporting them rather than doing it myself all the time," explained Winbladh. "I'm quite thrilled with talking to other entrepreneurs and trying to give them advice with their business, I enjoy that part too. I enjoy doing that because finally things are coming together in a big way in mobile internet, for me it's exciting to still be active." ■

CONNECTING TECHNOLOGY LEADERS



## SILICON VALLEY 2013

WEDNESDAY 18<sup>th</sup> SEPTEMBER

8:00am – 12:00pm

### HOT TOPIC #1: WHAT'S THE NEXT BILLION DOLLAR TECH DISRUPTION?

Which sectors will produce the next wave of Billion dollar start-ups? After transforming photography, music, retailing, media and entertainment, where will digital tech strike next?

**nextel**

CHRIS ROGERS  
Co-Founder

**JUMIO**

DANIEL MATTES  
CEO

**Qualtrics**

RYAN SMITH  
CEO

**DocuSign**

KEITH KRACH  
CEO

**Nextdoor**

NIRAV TOLIA  
CEO

**SCALE**

RORY O'DRISCOLL  
Partner

**ITRON**

DR. GREG RALEIGH  
CEO

FACILITATED BY: JEFF GLUECK, CEO - **skyfire**

### HOT TOPIC #2: GOING GLOBAL

When should you go international & how do you increase the chances of success? What are the key challenges and opportunities? Stories from Silicon Valley's best tech exports.

**BESSEMER**

ETHAN KURZWEIL  
Partner

**LinkedIn**

KEVIN EYRES  
First Employee International

**Google**

KATE BURNS  
First Employee International

**jive**

CHRISTOPHER MORACE  
Chief Strategy Officer

**box**

DAVID QUANTRELL  
First Employee International

**Telefonica**

TRACY ISACKE  
Director of Investments & Business Development

FACILITATED BY: ADRIAN HALL, CEO - **CFEngine**

For more information and to register an interest visit: [www.hottopicsevents.com](http://www.hottopicsevents.com)

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## Ringing the Game Changers

Joachim Horn Executive VP / Group CTIO, Tele2

In an interview with Hot Topics' David Pringle, Joachim Horn, the CTIO of Tele2, explains how new technologies are transforming telecoms.



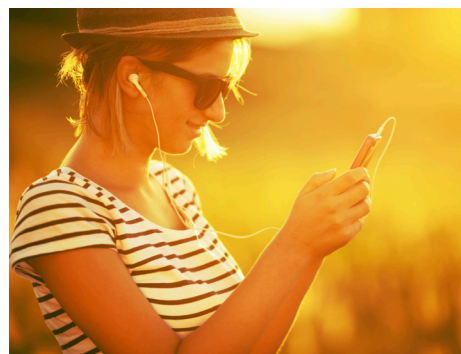
As smartphones proliferate and mobile traffic soars, cellular networks are getting a major overhaul. Vendors are touting new network technologies, such as LTE and SDN (software defined networking), that could transform the industry's economics. But will they enable mobile operators to regain pricing power and raise revenues?

# TELE2

For Joachim Horn, the CTIO of mobile operator group Tele2, LTE is a transformative technology. "When customers move from 3G to LTE, in our experience, they use 50 - 100% more traffic," he says. "The reason for that is the user experience is so much better, so you do a next click and a next click."

In Sweden, Tele2's home market, 99.5% of the population now has LTE coverage and the mobile networks are fast, even indoors. "I have got 56 mbps here in this room, with just one bar," says Horn, who was previously Group CTO at Bharti Airtel in India and Group CTO at T-Mobile International. "With 3G it was around 6-10 mbps, so this is an order of magnitude different."

The advent of LTE has made it possible for Swedes to easily watch high-quality video content from Netflix and other service providers on their handsets. "Netflix is simply a fantastic application," says Horn. "However, it is eating bandwidth on a different level."



### The LTE uplift

Given the step-change that LTE provides in the consumer experience, you might expect mobile operators to charge more for it. But Horn doesn't think that is feasible. "In our experience it would most probably be prohibitive to charge LTE at a different level than 3G because for the user it is not necessarily transparent when he is on 3G or LTE," he says. "We create buckets ...with say 2GB or 5GB included. When you come to the end of that bucket, you get a text saying you are coming to the end of the bucket, do you want to have more?"

"The original idea that some operators had that LTE was a hotspot technology has not proven to be sustainable."

If enough consumers respond "yes", then LTE will drive an increase in mobile operators' top line. LTE is still in its infancy in most markets, so it is a little early to gauge its likely impact on operators' average revenue per user (ARPU). But Horn says there are signs in Tele2's operations, which span 10 countries in Europe and Eurasia, that LTE customers are buying bigger buckets, enticed in part by volume discounts.

### Cost-conscious connectivity

Even so, Horn is adamant that mobile operators will also have to cut costs to cope with the massive surge in traffic. "My personal conviction is only a low-cost operator model will survive," he says. LTE can help in this respect. "Once you have deployed the network, because you get so much more throughput per network site, the production cost per gigabyte goes down substantially to a fraction of what it was before: Below 20% or even better."

Access to spectrum across a wide range of frequencies is also important. "The more

spectrum you have per site, the cheaper the bill becomes," says Horn. "70% of network operating costs are related to the number of sites."

But operators shouldn't skimp on coverage, according to Horn. He says consumers, once they are accustomed to LTE, really don't like falling back on to a 3G network. "In order to get a really good experience on LTE, you need homogenous coverage," he says. "The original idea that some operators had that LTE was a hotspot technology has not proven to be sustainable."

Moreover, Tele2 wants widespread coverage so it can offer Voice-over-LTE services – a technology that could enable mobile operators to differentiate their voice services from those of over-the-top players. "With VoLTE, telcos have a chance to integrate voice into a whole new experience – it is the first telco-grade voice-over-IP and nobody else has that."

Even so, Horn doesn't believe LTE has restored mobile operators' pricing power, after a lengthy deflationary cycle. "I think LTE gives us more room to move in terms of how we offer attractive packages to our customers...in the long run, I think we will also be able to have quality of service (QoS), where we can offer business customers a minimum speed and you pay more for that," he says.

Although LTE enables mobile operators to allocate a specific bandwidth to an individual customer, in practice there are some obstacles. "I think we still need a couple of years of experience with that," says Horn. "What do you do in an overloaded cell, such as when a train full of business travellers with a QoS plan pulls into a station?"

### Lower costs, faster innovation

Another much-hyped network technology is SDN, which is designed to make a telecoms network more like a software-controlled IT system. "I would not say it is a game-changer, but it will help to reduce costs substantially," says Horn. "It



will also speed up innovation in infrastructure... In Barcelona, I met two start-ups who assembled 25 engineers and in two years developed a SDN-based packet-core based on commercial, off-the-shelf hardware, fully virtualised, with a feature set that makes you cry."

Although Horn notes such solutions have yet to be tried and tested in a commercial network, he says they show what is possible: "A move away from specialised hardware, which is expensive, into the economies of scale of a stand-

ardised IT environment. We don't need to have the high reliability hardware any more...because virtualisation gives you a different kind of redundancy...that is still telco-grade."

### Network-as-a-service?

Another way to cut costs is to outsource. In India, where Horn used to work, a cut-throat price war prompted mobile operators to outsource the management of most of their operations. But Horn says the pendulum in India is now

swinging back to in-sourcing. "The operators have felt they do not have enough control any more," Horn says. "And for outsourcers, it became a very difficult business because the margins became so low for them, that they had to outsource themselves."

Horn stresses that mobile operators' core competence is the production of connectivity. "We have to know every part of the chain and most of the parts we should own," he says. ■



## Democratising Card Payments

Jacob de Geer Co-founder & CEO, iZettle

Hot Topics' Tom Lytton-Dickie caught up with iZettle's co-founder & CEO, Jacob de Geer to discuss the change in perception towards entrepreneurship in Sweden, democratising card payments, and his take on the future of the industry.

iZettle, the social payments company, creates services for person-to-person and business-to-consumer commerce. The first service includes an app and a mini chip-card reader that lets anyone take secure card payments anytime, anywhere. Headquartered in Stockholm, iZettle was founded in 2010 and has subsequently raised \$31.4m in investment from Index Ventures, Greylock Partners, Creandum, Northzone, Mastercard, American Express and SEB Private Equity.

# iZettle®

Upon graduating from the Stockholm School of Economics in 1999, and seeing many of his peers enter the worlds of banking and consultancy, Jacob de Geer was convinced he wanted to be "part of something new, not just be another guy in a big organisation not able to influence anything." He decided to join Trade-Doubler, as its first employee, and quickly took responsibility for Nordic operations, helping them build one of the largest advertising networks in the world.

From there, he successfully founded Tre Kronor Media, an award-winning agency for performance based marketing, integrated media and advertising, online and offline and Ameibo, a "legal" movie sharing company. Despite his friends enjoying the security of pensions and luxury of company cars, by 2010 he had the entrepreneurial bug.

De Geer believes there has been a massive change over the last decade in the way entrepreneurs are perceived in Sweden. "Entrepreneurship wasn't cherished in Sweden in the 1990s", he said, "it was something that people did if they couldn't get a proper job. Now, however, they are seen as local heroes. I wouldn't say rock stars, I think that's pushing it a bit, but this generation are clearly looking up to people who set up their own business in a different

way to how our parents saw entrepreneurship," he added.

It was this entrepreneurial spirit that led de Geer to co-found iZettle with serial entrepreneur, Magnus Nilson, in 2010 to help solve a problem which was even affecting his own wife.

De Geer's wife was a small business trader, importing goods from Asia and selling them at trade fairs across Sweden. Coming home from one trade fair frustrated, she admitted that as a small, new business with no credit history, she couldn't access a credit card terminal and as a result, she was losing out on 50 per cent of sales at trade fairs. She explained the hassle, the complexity around being a small business and the costs involved and being tied in for 24 months made it problematic.

"To me that seemed extremely strange – card payments today are one of the more important payment methods and I was just amazed that anyone couldn't just accept cards without any barrier to entry," said de Geer. "Based on that I started to look into the possibility of democratising card payments, making it possible for anyone whether you are an individual or whatever size business you might have to accept card payments," he added. De Geer and Nilson came up against barriers themselves when the advice they got from the entire industry was to stop what they were doing as it was impossible to do. If it was possible one of the larger companies would have done it a couple of years ago, they were told. "Part of the entrepreneur experience is you don't like being told what to do," he quipped, adding that this motivated them to continue.

"The day we released a video on YouTube we saw an enormous response with thousands of emails from around the world. This wasn't just a Swedish local problem, it was a global problem. From there, our ambition and goal is to democratise card payments but also to help the smaller business grow in the best possible way based on all the things we can provide



them with that haven't been provided to this type of business before. That could be loyalty tools to analytic tools. None of that is available offline for a small cafe, for example," he said.

In order to fast track their growth, iZettle has formed important partnerships with banks, retailers and telecommunication companies, including Santander, Deutsche Telekom and EE.

"I think these companies that we have teamed up with, they are the incumbents who understood that the only way of innovating in traditional business is to partner with fast growers or free and new thinkers like ourselves, or Spotify or whoever it might be," said de Geer. "Those sort of companies keep on managing their own massive businesses and they do that extremely well. The fundamental infrastructure when it comes to moving money is still the banks and they are very good at that. But innovating and deciding what's round the corner, they leave to us."

iZettle is now available in Sweden, Norway, Denmark, Finland, the UK, Germany and Spain and de Geer says they will be launching in their first market outside of Europe "pretty soon".

"The future for the payments industry is extremely exciting. Banks will see a dramatic increase of revenues because people will start using cards in more and more terminals," said de Geer.

"I think the industry is just at the beginning of a boom that will probably be in two to five years. When card payments are commoditised who knows how big the industry will become. For all the guys who say that NFC (Near Field Communication) or mobile wallets are going to take over the world – in my opinion, we are a very important part of the payment infrastructure for the next ten years," he added.

"I think we can become a very big player. I think we are very well positioned to be a good, healthy and successful company," de Geer concluded. ■

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Take a look at some of the points raised at Hot Topics Stockholm earlier this year. You can find more quotes on our website [www.hottopicsevents.com](http://www.hottopicsevents.com)

"The Nordics is a great place to build a company...employees are a lot more loyal in this part of the world...they are not always looking at the salary and how you can be part of a good story."

– Jacob de Geer, CEO, iZettle

"Most of the direct reports at Spotify to the CEO are Swedish and Daniel [Ek] can pretty much choose from the world when he recruits, so that is a pretty strong sign....I think leadership skills are improving. ...[But] we are not on par with the U.S., where leadership and management is a natural part of the formation."

– Fredrik Cassel, General Partner, Creandum

"If you take APAC, the operators are much more willing to partner and faster, than in the Nordics and western Europe....We had very different conversations with the telcos in 2007 and 2008, when they were screaming for data. Now they don't want quite as much data. So the conversation is a little bit different these days, but it depends what stage operators are at,"

– Martin Ingemansson, Country Manager Nordics, Facebook

"I see massive opportunities for mobile operators to make great returns for their shareholders, but at the moment they are holding on to legacy business models, legacy structures, rather than thinking about the enormous potential that is coming through their doors through the application layer. That is the problem... they are still fiddling with contracts, fiddling with data prices, rather than rethinking the model."

– Andreas Bernström, CEO, Rebtel

"There is no reason to think that [telcos] can't make money from data. 4G is a great service – you can go anywhere in Stockholm and get these amazing speeds."

– Niklas Agevik, CEO, Instabridge



# STOCKHOLM 2013



## Backing the Companies of Tomorrow

Fredrik Cassel, General Partner, Creandum



Stockholm based Creandum, is a leading venture capital firm, investing in seed, early and later stage companies with innovative technology and disruptive business models. The company currently has around \$340m under management and has invested as first institution in the likes of Spotify, Wrapp, iZettle and Videoplaza.

### CREANDUM

Hot Topics' Tom Lytton-Dickie sat down with one of Creandum's General Partners, Fredrik Cassel, to discuss the changing landscape of venture capital in Sweden, their investing philosophy and ambitions for the future.

Despite the fact that Fredrik Cassel has not been a CEO himself, his background prior to joining Creandum was underpinned by operational entrepreneurship. Starting out at Scandinavian media giant Schibsted, early movers in the online space, Cassel was able to experience working across 3 of their start-up ventures, including establishing a free daily newspaper in Cologne and Zurich. A move to Scandinavia Online, the largest portal and online search service in the Nordics, ensued in 2000, where Cassel helped build out the search service to attract 4.5 million unique monthly visitors, prior to the company's acquisition by yellow pages company, Eniro, and Google's monopolisation of the global search space. This experience of building media and internet businesses across Europe is where Cassel can add significant value to the entrepreneurs of Creandum's portfolio companies. Cassel now oversees Creandum's investments in Spotify, Cint, Videoplaza, 13th Lab and Xeneta.

#### A changing landscape

Much has changed since Cassel entered the world of venture capital back in 2003, when he joined Creandum as an associate. Firstly, there has been a vast consolidation in terms of

A sample of Creandum's Portfolio

the number of investment firms that operate in Sweden. "When I started, I think there were around 50 active institutions in the Swedish market, today there is a handful. It's been a massive shake up that has hugely changed the industry we're in," he says. For Creandum itself, there has also been a shift in focus. The firm started as a sponsored fund with just two investors who had a set idea of which areas they wanted the business to focus on. The aim was to invest in high-tech hardware, primarily in Sweden. Cassel recalls that "we did that for the first couple of years and then decided to change strategy. Since

raising our second fund in 2007, 40-45% of our money is invested in consumer services, 40-45% in online business applications and then only 10-15% in hardware."

Cassel recognises the progress the business has made over the last decade, yet emphasises that Creandum still wishes to become an even better service provider to its portfolio companies and entrepreneurs. "We're doing ok now, but 10 years ago when we just started we were not. At least not comparing to the level of service and insight that entrepreneurs require today. We worked hard, had some luck with timing

and were fortunate to have some successes which enabled us to get through the period of learning and now we're in a good position." He argues that Creandum can still be more efficient in helping its portfolio companies, particularly in assisting them enter the US market, a hurdle which he suggests is commonly one of the more difficult to overcome. "We've just moved one of our partners to Silicon Valley. We've previously provided good support for our businesses trying to expand into the US, but we now want to take our connections over there to another level. We want to make sure we have rock solid connections to all of the big players, the Facebooks, the Googles, the Apples and everyone relevant to our entrepreneurs."

#### Being the 'best service provider'

Cassel is clear on Creandum's approach. "For us as a venture firm the entrepreneurs are our customers and we need to be the best service provider to them. We need to understand what each entrepreneur needs and then deliver on that." Placing the needs of the entrepreneurs first is more than just a magnanimous way of running a venture firm, it is also to ensure that Creandum maintain a strong reputation in the

market. "The most common channel for new deals is our previous entrepreneurs, or even entrepreneurs who we didn't invest with but who still maintain a positive relationship with. We measure our success in terms of returns but also on our reputation with entrepreneurs as that ultimately translates into access to deal flow," he says.

"We measure our success in terms of returns but also on our reputation with entrepreneurs as that ultimately translates into access to deal flow"

Creandum primarily focuses its attention towards the Nordics (Sweden, Norway, Finland and Denmark) and Cassel is quick to justify that strategy. "We have investments in all 4 Nordic countries and we have a very good position here. There is no reason why we shouldn't pursue opportunities outside of this region in case our reputation or specific domain competence carries us into great companies

there. But we will be strict on ourselves and need other means of making sure we are indeed choosing from the top 5 deals in a more remote geography, compared to here in Stockholm where triangulating talent is relatively easy." Cassel reveals that Creandum try to invest in companies as early as possible. "We like to be the first institutional investor. Our approach is to come in and invest early, in seed rounds and in A rounds. That's where we think our impact can be most important, that's our philosophy and it is where you need to invest if you want to make 20, 30, 50 times your money."

#### Onwards and upwards

Although he has been at the company 10 years, Cassel's ambition for continued development is unwavering. "We believe that there are few other places with better fundamentals in place for venture investing than the Nordics. We think that this region will continue to produce really attractive companies and subsequently great returns. I am convinced that thanks to the quality of companies that this region produces, the best venture investors in Northern Europe will deliver returns that are globally very, very competitive." ■



## Wi-Fi made Easy

Q & A with Niklas Agevik CEO, Instabridge



**Hot Topics (HT):** What is the concept behind Instabridge?

**Niklas Agevik (NA):** First of all we're making what we think is the world's best wi-fi client, a very easy to use client where you don't need to worry about technical details to use wi-fi. Secondly, we are helping people get access to more wi-fi. We don't want this to be just a great wi-fi client, but a way of giving you access to more wi-fi than you've ever had before.

There is so much wi-fi out there that is currently under-utilised that people could be using, be it public wi-fi, wi-fi in your own home or wi-fi in your friend's homes. There is lots of mobile data consumption happening in people's homes but people weren't using wi-fi that often. We talked to lots of people and quickly found out that it was a usability problem. They would use wi-fi if they could but it was such a hassle to find passwords etc.

**HT:** How did your own career lead you to starting Instabridge?

**NA:** I've always been an entrepreneur, I started my first company when I was 19 together with Erik, (Erik Tigerholm, Instabridge CTO) and when that finished I promised myself I wouldn't do another start-up because it was so emotionally draining! I then did what every good Swedish engineer does and I went to work for Ericsson. By chance, I came into a newly created start-up division doing mobile payments and mobile messaging. When I joined we

had 20 people, almost no revenue and very few customers. When I left 5 years later we were doing €100m in turnover, had 5,000 customers in a 100 different countries and were working with 100 different operators. During that time, I dipped my toes into real entrepreneurship and saw how much fun it is to watch a company grow. Together with a colleague from Ericsson I then jumped ship and ran the European office for a US start-up, Payfone, which was a great

**HT:** In the last 18 months you've won a number of impressive awards including Europe's coolest app, Best Nordic Startup and Best International Start Up. How has that acclaim fast tracked your growth?

**NA:** We've had great growth, built great products and then we've won the awards. Winning awards is a nice extra but it is not going to make or break the company. However, the awards have been a big boost in terms of company morale and they have also

opened a lot of doors with potential partners, investors, and helped with recruitment. We are now getting people contacting us, saying 'this is a really cool company, I want to work with you guys.'

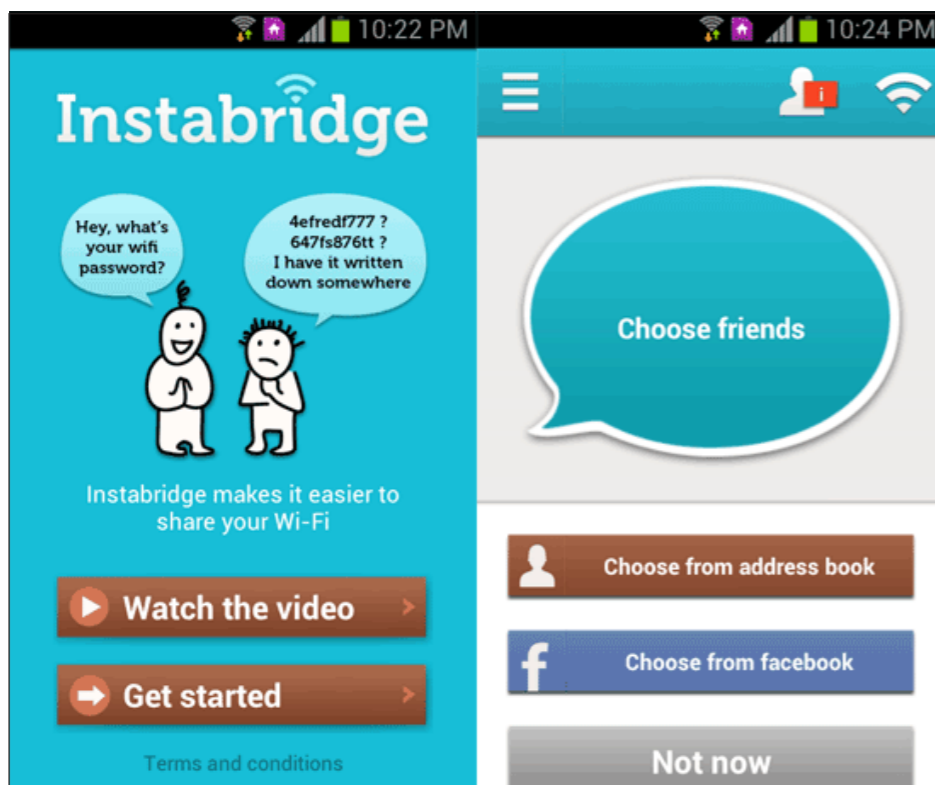
**HT:** What is the revenue model?

**NA:** At the moment we have our free app which is our go to market strategy, it allows us to crowdsource wi-fi and collect lots of data. The next step is to start monetising our product through wi-fi offload, which will be a B2B product sold to operators. We already have

50,000 downloads and 10,000 users who are using Instabridge to connect to wi-fi today and can leverage our user base and expertise when working with operators to achieve wifi offload.

**HT:** How do you view the wi-fi offload space?

**NA:** Wi-fi offload is like e-commerce was in 2004 or 2005. It's a market which is starting out but growing quickly and there is so much more



opportunity even though it meant going back on my word not to work for a start-up again! It was great fun but it made me realise how much I wanted to do my own start-up and Instabridge was something that I had been thinking about for a long time so I left after 2 years to start our company.



attention being given to it in the past 6 months than there was last year. I'm obviously biased, but to me it's clear that operators need to pursue a wi-fi offload strategy to remain competitive.

**HT:** Who do you view as your main competitors?

**NA:** This landscape is changing so quickly and we really don't see any of the other companies working with wi-fi as competitors. It's more a co-opetition situation where we work together to make this market happen. However, in a year from now it will become clear as we start trying to do offload deals, which companies we are fighting with for those deals.

**HT:** Is there any security issue around using Instabridge?

**NA:** There is no reason not to use Instabridge from a security perspective. We do store a lot of sensitive information about wi-fi points but on the other hand people store a lot of sensitive information in the cloud. People use Dropxbox, Gmail etc and they hold far more valuable information than we are storing. If you are comfortable using those tools then you can definitely be comfortable using Instabridge!

**HT:** There is a suggestion that some of the incumbents in Sweden aren't engaging with the start up scene as well as they could. What is your take on that and what more could be done to encourage increased engagement?

**NA:** I agree and I think it is a very sad situation in Sweden. We have a number of large companies that could benefit immensely by learn-

ing from the startup community. Take Ericsson as an example. They are not engaging with the start up community – even though they are in a space that's seeing massive change due to start-ups! I have seen that from the inside. They have bought start-ups on occasion but are bad at integrating them and don't understand the core DNA that makes a start-up successful. The main difference between here and the US is that over there you have start-ups that have grown very quickly like Facebook and Google and in many ways they consider themselves as big start-ups. They understand the value a small dedicated

team can bring. Ericsson and others need to find a way back to their roots and understand what it is like to work as a start-up. It would be great if they learnt to be more active with the start-up community here in Sweden.



**HT:** Finally, how big can Instabridge become and what are the ambitions going forward?

**NA:** I believe that the biggest myth is that the problem for operators is that they are a 'dumb' pipe, just delivering data. I think it's a great position to be in. 4G is a fantastic product and it is something that everyone on the planet needs.

**HT:** What do you see as the future for mobile operators?

**NA:** I believe that the biggest myth is that the problem for operators is that they are a 'dumb' pipe, just delivering data. I think it's a great position to be in. 4G is a fantastic product and it is something that everyone on the planet needs.

Our vision is that wherever you go and whatever device you use you are using, you will always have the option of using wi-fi via Instabridge. There's wi-fi almost everywhere these days and it's just a matter of allowing the users to gain access to those wifi points. ■



# Removing Barriers to E-Commerce

Q & A with Carl Waldekranz CEO, Tictail



**HT: What is the concept behind Tictail?**

**CW:** Tictail's vision is a big one. We want to become the world's most used and loved e-commerce platform. We believe that the first step towards reaching this goal is to democratise selling online, allowing anyone to set up an online store.

Tictail makes it easier than ever before to create a beautiful online store for free.

**HT: What was your own background prior to forming Tictail?**

**CW:** I started a boutique digital agency directly after high school with one of the Tictail co-founders (Kaj Drobin) and our niche was to create designs for digital tech companies. For example, we did a lot of work with Wrapp on their brand identity and logo. We built our customer base and were then acquired by one of Sweden's biggest brand agencies, Identity Works. During that time I had the chance to work within the e-commerce space and with innovative companies who were pushing the boundaries of what is possible and then on the other hand working on e-commerce platforms that were flawed with legacy thinking and tired features. The consumer side of the web has come so far but the B2B space is quite slow moving.

**HT: Tictail is now powering more than 17,000 stores across 98 countries. What have been the challenges of managing that rate of growth?**

**CW:** One of the things about working in a start-up environment is that your biggest challenge changes completely every quarter. I still remember when we had just quit our jobs and at that time we were concerned with where we would find an office. Once we found a space, it became about how we would recruit our first employee and then it was time to launch!

would like to speak with and have on board. We looked at the investors and then at the companies that they had invested in. We made sure to speak to one of the entrepreneurs in each investor's portfolio and started by pitching our own idea to other entrepreneurs. If they liked what they heard and believed in Tictail, we asked for an introduction to their investors. Balderton

Capital was one of the first investors we had a meeting with and we are delighted they chose to invest in us.

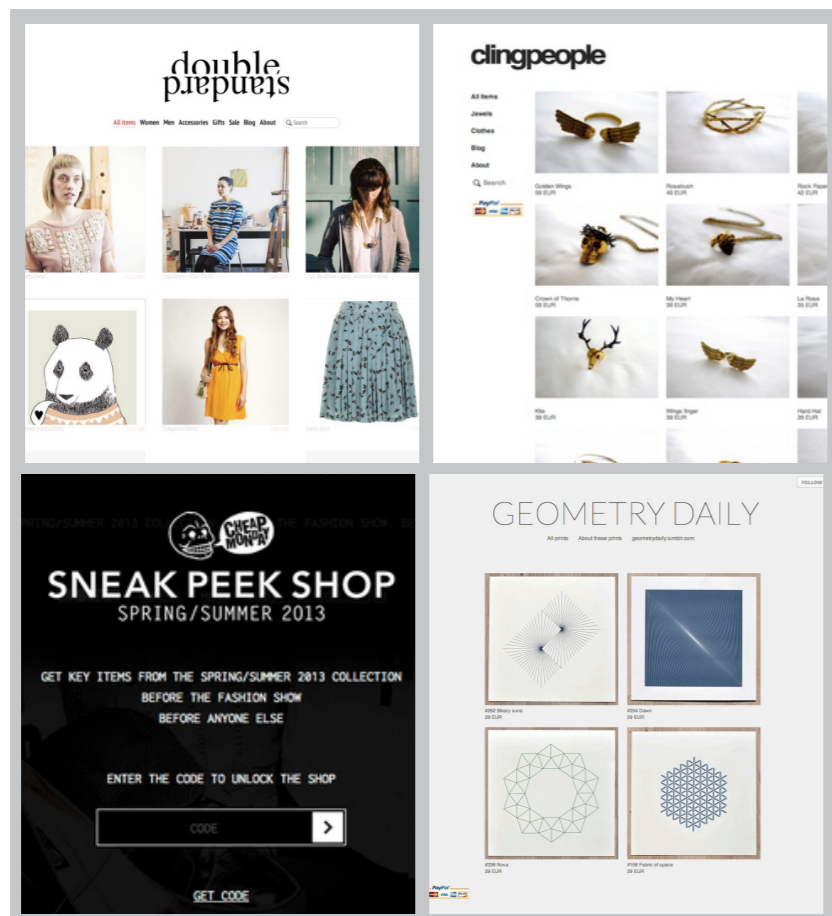
To me it was important to find an investor that not only had a great track record but someone that I could have an open discussion with about the product. We immediately hit it off, had a good understanding and had the same kind of values when it came to building a company.

**HT: Did you look in your domestic market for investment or did you look across Europe and into the US from day one?**

**CW:** We did look at our domestic market and we met the two major investors in Sweden, Creandum and Northzone. I think they're great and I would be happy to work with them in some context at some point.

**HT: What is the revenue model for Tictail? Is it 3rd party apps, a premium version of the product or something else?**

For me it has always been very clear from day one. With our vision of becoming the world's most used and loved e-commerce platform it is absolutely essential for us to remove all



**HT: You raised \$1.6m in funding from Balderton Capital last October. How did that investment come about?**

**CW:** Having developed the product to a point where we felt it had taken good shape, we created a shortlist of investors we felt deserved to invest in Tictail! It was a list of ten investors we



thresholds and all barriers for someone to set up an online store. It was obvious to us from the beginning that we would have to build it on a freemium model; we had to incorporate free into our thinking. What also became very clear to us was that one of our most important USPs is the ease of use and the UX of our product. We had to create a product that is extremely easy and scaled down when you sign up but allows our merchants to grow with it and expand the functionality and capabilities as their need for a more complex online store grows. We decided very early on to build more of a platform than a product.

**HT: As of March 2013, 30% of Tictail's users were based in Sweden. What is the trend today?**

**CW:** The trend is that Sweden is declining, not in terms of number of users but in ratio compared to the other markets. It is now accounts for about 25% roughly. The UK, US, Germany, France and Denmark each account for between 12-14% of our users, these are the main markets. From day one we have had a strategy and we are trying to implement it and iterate from it whilst we are growing. Right now we are focusing on doing a lot of tests both in the UK and Germany to find the perfect model to apply to other markets.

**HT: In the US there will be lots of competition from the likes of Shopify. How much do you think a focus on aesthetics and user experience differentiates Tictail?**

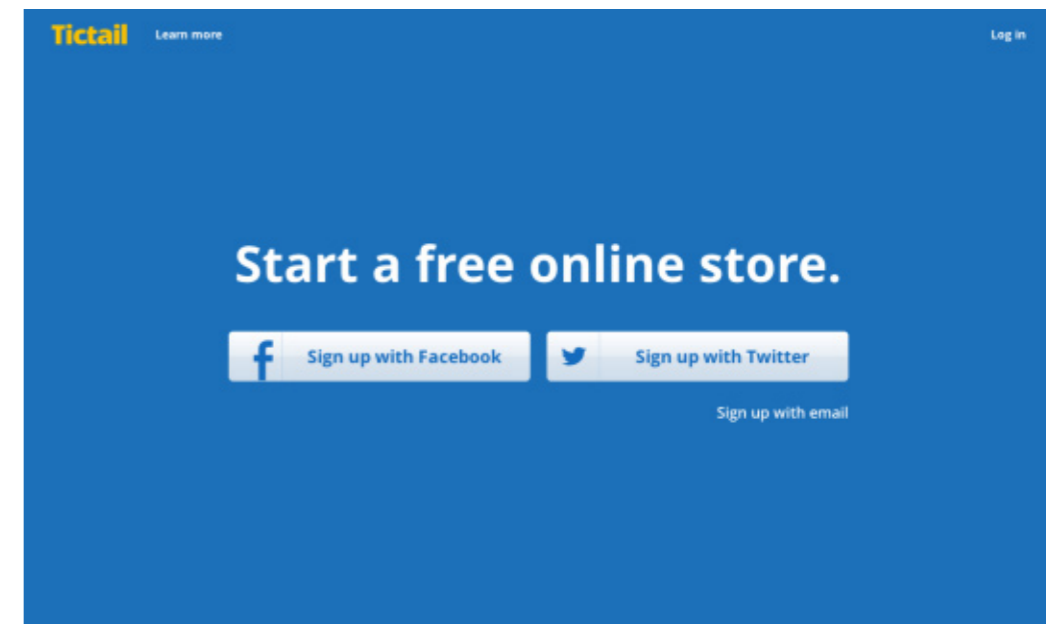
**CW:** To me user experience is a strong competitive advantage. I believe we have the smartest, most user friendly interface. Shopify is a great company, they have 170 employees, powering around 55,000 stores globally. They have 7 years advantage over us but in some ways we have 7 years advantage over them because the web looked very different when they were starting out.

**HT: Your team now consists of 12 people. What have been the challenges of hiring talent Sweden?**

we decided to stay in Stockholm was because of the quality of design and engineering talent that exists here. There really is world class talent here.

**HT: How have you found the challenge of leadership and ever quickening growth?**

I'm loving it! This is not a job, it is a hobby. I'm a very strong believer in building great teams. I hope to be not only a CEO that... but one that supports. I should be the person that can protect the organisation from outside noise and help people reach their full potential.



**HT: What are your continuing ambitions for Tictail. How big can this become?**

**CW:** I'd like to see Tictail become something that is bigger than just online stores. I hope we can become a company that enables people to become entrepreneurs no matter what the challenge for them might be. It is endless what we can do in this space, especially when you stop thinking about online stores. This is about enabling entrepreneurship and we are just getting started. ■

Growing the team is always the biggest challenge. For me, Tictail is more than an idea, it is a culture and that's what makes Tictail special and what has taken the product to where it is today. We spend an enormous amount of time on thinking about hiring, who to hire and what characteristics we are looking for in a person. We would never simply hire a developer or a designer, we would look for a real product person, an entrepreneur who knows how to develop or how to design. One of the main reasons



## Ones to Watch

With the 'Bjorn Bjorg' effect in Sweden in full flow, there is an abundance of entrepreneurial talent following in the footsteps of the established companies that have experienced international success in recent years. In this section, we caught up with just three of the CEOs who are creating exciting tech companies that are promising to do big things in the coming years.

<b>Company Name:</b>	TrueCaller
<b>Overview:</b>	Truecaller is the world's first collaborative global phone directory, making it easy for users to get in touch with other people and businesses around the world. Truecaller is built by its community who help keep the dynamic database evolving all the time by sharing information and helping other users worldwide. With significantly higher coverage and accuracy than any other online or traditional paper directory, users are always in control of who can see their contact information. It's easy to opt-in or opt-out at anytime.
<b>Year of Formation:</b>	2009
<b>CEO:</b>	Alan Mamedi
<b>Investment:</b>	Open Ocean Capital - \$1.3m
<b>Users:</b>	10million (as of January 2013)
<b>Employees:</b>	20+
<b>Mamedi on... ...how the idea came about:</b>	Me and my co-founder Nami (Nami Zarringhalam) built Truecaller on our own needs. We were receiving a lot of calls from abroad in relation to previous projects we had worked on and realised it's really difficult to identify those calls. Our goal was to build a global phone directory. We launched as a beta product and in the first week we got 10,000 downloads. We realised pretty quickly that most countries don't even have a yellow pages, there are no public directories in some cases. Take India for example. They have 950 million phone numbers, 95% of those are pre-paid customers so not even the operators know who owns those phone numbers.
<b>...building a collaborative phone directory:</b>	We asked everyone who was using the service, 'Do you want to make the service even better by sharing your content and in return get results based on other people's data?' We always had the fundamental vision that this should be optional, it should always be disabled by default and the user can take their own action. That transparency has been one the key parts of our success, it is all about trust.
<b>...the war for talent:</b>	We are trying to be more visible in the universities here in Stockholm so that people can see that we are a Swedish company and we're doing well. Not many people know that our growth is even faster than Spotify's for instance. When it comes to more senior people, engineers or analytical guys love big data and we are working a lot with data which helps. With engineers, it is not about salary, it is about them doing something that they love."



<b>Company Name:</b>	Rabble
<b>Overview:</b>	Rabble is a mobile offers application existing as Sweden's leading channel for mobile deals, helping businesses of various size reach out to and attract new customers. The deals on offer through Rabble spread among friends and on social networks, encouraging customers to recommend businesses to their friends and family. A primary incentive for businesses is that using Rabble helps with discovery and publicity, acting as a marketing tool. The app is available for iPhone, Android & WP7.
<b>Year of Formation:</b>	2010
<b>CEO:</b>	Daniel Zeitoun
<b>Users:</b>	450,000+
<b>Example Customers:</b>	McDonalds, Unilever, Subway, Coca-Cola
<b>Investors:</b>	€1.5m through two rounds of angel investment
<b>Employees:</b>	20
<b>Zeitoun on... ...the birth of Rabble</b>	It was March 2010 and me and two friends were sitting in a cafe. We all had used a coupon from 7/11 giving you a free box of tobacco. We started thinking how this cafe could use the same type of marketing strategy. We found out that local newspapers were the most commonly used marketing tool but businesses weren't able to measure how effective it was or how many people were actually reading it. We came up with the structure of Rabble and two months later we had sold campaigns to the likes of Burger King and were fully launched on the app store. In May 2011 we did our first round of funding through angel investors.



**...raising investment in Sweden**

**...Rabble's revenue model**

<b>Company Name:</b>	Innspire
<b>Overview:</b>	Innspire helps hotels around the world to sell more, entertain better and to analyze and optimize the results. Working within the hospitality sector, Innspire allows hotels to provide easy-to-use interactive entertainment solutions to their guests.
<b>Year of Formation:</b>	2012
<b>CEO:</b>	Martin Chevalley
<b>Investment:</b>	Privately funded
<b>Employees:</b>	<10
<b>Example Customers:</b>	Clarion Hotel, Stockholm, Abjar Group (owners of Ritz Carlton, Sheraton and several other luxury properties).
<b>Chevalley on... ...regional differences</b>	We help the hotel to sell more which in turn demands staff. In Europe, hotel staff are not as abundant as in the Middle East so when we speak to hotels here they are a bit more cautious in terms of staff numbers. We automate a lot of things but someone has to deliver the room service at very least! There has been greater adoption in the Middle East where there is a very high level of service and a lot of staff. We expect Asia to prove the same.
<b>...the product</b>	We wanted to focus on the needs of the guest. How do they access the information? Today, people are connected 24/7 but the hotel TV systems are lagging behind. You step 10 years back whenever you walk into a hotel. We wanted to change that by creating a system that has open APIs so devices can connect to each other. We built the Innspire product around a concept we called 'any screen' meaning that whatever device a guest walks into a hotel with they are going to be able to use.
<b>...benefits for hotels</b>	We do 3 things for hotels. Firstly, we help them sell more which is why they like us! We then help them entertain better and lastly we help them analyse and optimise their operations. We encourage them to adopt a Las Vegas mentality – don't let them go out of your four walls!



## GUEST ARTICLE

Sweden – A Bright Future For  
Breeding Successful Tech Companies

Kerstin Cooley, CEO, Moor



Kerstin Cooley is the CEO of MOOR, a Stockholm based investment group founded by Rovio Entertainment (Angry Birds) owner Kaj Hed. MOOR embraces great teams in early stage ventures adding MOOR experience and resources to build outstanding global companies together.

That Sweden is a hotbed for tech start-ups is old news. Following the success of Skype, Spotify and others, new ventures are popping up around the country. What accounts for these startup successes? The legacy and nurturing of companies like Ericsson and ABB with engineering talent from state-funded universities offer one insight. Another is heritage from the Dot-com bubble of the late nineties giving people the thrill of the boom and the experience of what failure looks like in the context of one of the world's strongest welfare systems.

The market is considered to be an ideal test-bed for digital products. Computer literacy is widespread with 60 percent of the population on smartphones, 93 percent Internet penetration, 50 percent starting on the Internet at age 3, and 50 percent playing digital games.

Sweden's long history (Alfred Nobel, John Ericsson, etc.) and industrial era track record of technical and design innovations may explain why the country ranks as one of the most creative and forward thinking in the world. Nonetheless many argue though that post 1930's conformism as defined in the "Law of Jante", which disapprove of proclaimed individual success and the social discredit of failure, have been limiting entrepreneurial spirit. The stereotype is that rather than treating failure as valuable experience, Swedish entrepreneurs have preferred to be safely employed and thus often existed as intrapreneurs – creative employees driving innovation and change within larger companies.

Whether Sweden was ever conformist is debatable. Studies show Swedes as deeply individualistic, in part due to its strong welfare system, allowing all citizens, man or woman,

to pursue a professional career. Counter to conformist theory, independence as a result of state support may explain the high degree of innovation.

Spurred by the recent celebrated success of others, more and more are willing to take the risk of venturing into their own business. It is as if society is reshaping under a Jante rebound, for the lack of a better name, call it the Law of Zennström, "with a brilliant idea and a great team, I can shine."

One major challenge for the Swedish startup ecosystem is the limited sources for early-stage funding. Of the large number of VC firms active in the market in the IT run-up to 2000, only a handful still exist. Very few angel investors have the capacity or the willingness to back entrepreneurs until they are ready for VC funding. The myriad of crowdfunding sites (including Swedish FundedByMe and Crowdcube) may lend initial support to an idea yet the transition to operations and any needed venture funding can be hard to pick out of the crowd. This landscape risks limiting startups or encouraging them to leave the country seeking funding as international investors eye the region for prospects that can be transported elsewhere.

"I am excited to be part of the ecosystem and have the opportunity to help attract more women to the industry and support them when they arrive!"

We launched MOOR to fill the need for a long-term investor who can support and advise entrepreneurs in the very early growth of their companies and as they prepare and receive later stage VC investments. Exceptional talent within the digital industry comes at a very decent price in Sweden. Local entrepreneurs are usually less exit-driven, focused instead on creating stable, long-term business growth, which fits our own investment agenda very well. One of the MOOR philosophies, a result of founder Kaj Hed's own experience, is to give the next generation the chance to realize their dreams and thereby support innovation and stimulate

the rise of new, global growth companies. Our simple model separates us from traditional VCs, we don't sprinkle money over a large number of companies and we are in it on the same terms as the founders. We also offer hands-on support, as we believe entrepreneurs usually need more than just someone to sit on their board or advisory board. By providing long-term funding, the team can focus on running their business, not raising capital. As an early stage investor, we typically see two groups of people: 30-somethings in a come-back from the last tech bubble and the next generation, native digitalers. In either category, we meet very few women.

Swedes are often self-congratulatory when it comes to gender equality. Take any global survey of gender equity and Sweden will be near the top, yet that equity is not demonstrated in the business sector, particularly the tech industry. Numbers are very similar to those of the US. Female business owners only account for a quarter of companies and women typically run solo or smaller businesses within the media, culture and service sectors. Less than 25% of employees in the Swedish IT industry are women and only every fifth programmer in Sweden is a woman. Women-driven start-ups are few and far between. With that in mind, it is not so surprising that there is a lack of female startup CEOs. It's a chicken-and-egg situation: The industry lacks women because they don't receive or seek education in the technology industry. Women don't seek work in the tech field because they don't see themselves reflected there. To boost interest, schools and companies would benefit from joint efforts in exposing middle school-age children to science, technology, engineering and math disciplines. Early exposure to the industry and its leading women could ease gender stereotypes and ultimately help to diversify the workforce. As a woman in this space, I am excited to be part of the ecosystem and have the opportunity to help attract more women to the industry and support them when they arrive. Let's congratulate ourselves when our industry truly reflects Sweden's gender diversity. ■

## GUEST ARTICLE

Swedish Startups:  
Something in the water

James Pember, Founder, Swedish Startup Space

SWEDISH  
STARTUP  
SPACE

The Swedish technology scene has received much international attention lately. People have asked whether Sweden is the best place to start a company, and it has been reported that Swedish startups are 'outdoing our European rivals'. Swedes are known for their innovation - companies like Ericsson, Electrolux and Volvo, IKEA and H&M set the standard - building world-leading, international corporations from the chilly north. Then the internet came along, and again Sweden led the way, with MySQL, Sendit and TradeDoubler - each of which successfully led their companies through impressive exits.

More recently, startups like Spotify, Mojang, Skype, Wrapp and Klarna have taken the tech-world by storm and are inspiring a new generation to take up entrepreneurship - and letting them know that starting a global company from Sweden is a real and viable possibility.

If one looks at the Nordics as a whole, the stats are impressive. From 2005 to 2012, the Nordic countries accounted for 6.5% of the world's billion-dollar-exits. In 2012 Business Week listed the Digital 100 - the most valuable digital companies in the world. The Nordics accounted for 13% of that list. An analysis by Swedish VC's Creandum reports that over the past five years, €2.6 billion (£2.3 billion) has been generated per year from Nordic tech-company exits, with more than half of this coming from Sweden alone.

For a region with less people than Germany - that's pretty impressive.

So, what makes Sweden (and the Nordics)

so special? What is it that makes Swedish entrepreneurs so good at building global businesses when the odds would seemingly be stacked against them?

## Education and Tech Literacy

Education holds high value in Sweden - and the entire educational system is tax-financed for all. Over 30% of the Swedish population have studied at a tertiary level and schools like KTH (Royal Institute of Technology) and the Stockholm School of Economics have long pumped out graduates primed for a career in technology. More importantly, there also exist programs within these schools to further hone entrepreneurial skills - meaning that students have a clear grasp on what it means to be an entrepreneur.

"...there exists now an entire community of entrepreneurs building exciting and revolutionary companies"

## Communications and a nation of 'early-adopters'

The infrastructure for communications in Sweden is undoubtedly one of the significant reasons behind Sweden's success with technology companies. 91% of the Swedish population use the Internet frequently and experience an extremely good quality of connection. It was reported in 2007 that an old Swedish lady by the name of Sigbritt actually had the world's fastest Internet connection. Throw in the blazingly quick cellular connections and you have the makings of a society keen on adopting new technology.

## Social infrastructure

One of the more interesting factors behind Sweden's strong entrepreneurial success is the

societal structure itself. Whilst many see Sweden's welfare state (read: high tax) as a barrier to entrepreneurship, many have noted that it is that same safety net that makes people feel more comfortable 'making that leap' into starting a company - unafraid that they may end up losing everything.



## Global from Day One

Without a doubt, the most important and relevant reason that Swedish entrepreneurs have typically been successful at building businesses is their global mindset. Sweden's small population has meant that any entrepreneur building a company must think outside the Swedish borders - the market is simply too small to do otherwise. In addition, the relative lack of early-stage capital has meant that Swedish entrepreneurs are typically focused on building profitable businesses - rather than 'building-to-flip' as it is referred to in the Valley.

Sweden's technology scene is impressive to say the least. Whilst big names like Skype, Wrapp and Spotify continue to dominate media focus on Sweden - there exists now an entire community of entrepreneurs building exciting and revolutionary companies - and building them together - which is perhaps the most exciting thing of all. The factors described above have all been critical in building an atmosphere that fosters and encourages innovation and entrepreneurship. Or maybe there's just something in the water?



www.swedishstartup.space.com



# Flying the Flag for the Nordics

Martin Falch Director, European Leaders



Given the small size of Scandinavia's home markets, early international expansion is a necessity for the majority of Scandinavian start-ups. The Internet has enabled them to think globally and whilst clearly an opportunity for huge growth, it also exists as one of the toughest challenges as they seek to understand cultural nuances of different regions, the legalities of different markets and encourage top talent in any given geography to join the business.

For founders and CEOs, who exist as the ambassador for the company, it can be a daunting prospect and one which they need to find trusted advisers and partners to assist them. This is where Martin Falch comes in. Martin has been flying the flag for Scandinavian companies in Europe, US and Asia for the last 15 years, primarily helping them become attractive employers and develop international leadership teams capable of competing on a global basis.

Having worked for several Nordic start-up himself and with vast experience of working with Scandinavian founders, CEOs & investors, Falch has advised companies such as Klarna, Videoplaza and Opera Software on their international talent expansion strategy. His speciality is in convincing the world's top tech leaders why they should choose a small Nordic startup over Facebook or Google!

## 5 PIECES OF ADVICE FOR INTERNATIONAL EXPANSION

### 1. Don't do it by half

**Martin Falch:** "Many of the Scandinavian entrepreneurs I work with see international expansion as merely opening satellite offices; smaller, less important subsidiaries of headquarters in Scandinavia. If they are small in Scandinavia, they are even smaller in the UK or US! If you expand with a 'dip your toe in the water' approach you will fail, if you invest as if it is a smaller satellite office you will fail in big markets. You should invest 10x more because the market is that much bigger, in my opinion that is a crucial mindset to adopt. I have clients who are still investing all their money in Norway even once the home market has become saturated.

### 2. Live in the region you want to break into

**MF:** "My advice to founders and entrepreneurs is to move to the country where they want to make an impact. Whether it is London, Silicon Valley or anywhere else you need to spend time in region as relationships count for so much more than back home and takes many meetings to develop. I've heard you have to meet a Brit 16 times before you can call it a relationship. That's a lot of airfares.

### 3. Network, network, network

**MF:** "I am a massive advocate of Scandinavian entrepreneurs and their leadership qualities; however, in my experience networking is not always in their nature. They are not always their best own ambassadors and it is something which they need to actively work on. This is crucial for hiring the best talent, meeting investors and of course engaging with clients."

### 4. Meet those that have done it before

**MF:** "We are seeing an exponential growth in the number of start-ups emerging from the Nordics and that is a direct result of the success that the likes of Spotify, Opera Software and Skype have experienced over the last decade. What we are not seeing is enough communication between leaders in Scandinavia. There is an abundance of knowledge and experience that can be passed on from those that have successfully expanded internationally and young entrepreneurs could learn some crucial lessons. I was surprised to see at Hot Topics Stockholm how many Swedish entrepreneurs who knew of each other but had never met!"

### 5. Think global early

**MF:** "Whilst the Scandinavian markets are a good way of testing a product, I believe you should attempt to break the larger markets as early as possible. If you have a B2B product, London is a great place to be for example. Every major company in the world has an office here; you have banks, publishers, broadcasters, telecom operators. There are lots of potential clients and it is a perfect hub to be located in. The US is obviously the Holy Grail and again the opportunity is vast. Take John Lervik (CEO of Cxense) who sold Fast Search & Transfer for \$1.2Bn to Microsoft in 2008. He took on the US first- the hardest market possible and then took Norway last."



## 5 REASONS WHY YOU SHOULD WORK FOR SCANDINAVIAN COMPANIES

### 1. A respect of the individual

**MF:** "Scandinavians take people and equality seriously; they have a deep respect for the individual's view and which in turn creates empowerment and individual responsibility. They appreciate the need for gender diversity and strive to achieve that in their companies."

### 2. No hierarchy

**MF:** "Hierarchy is an alien concept to Scandinavians. It doesn't really exist. They adopt a flat, inclusive structure which is great for international expansion as it fosters a culture of trust, empowerment and autonomy. Titles are of low importance and egos are uncommon. This is how any international organisation should be run!"

### 3. Great leaders

**MF:** "Even though they may not always know it, I believe Scandinavia breeds some of the best leaders globally. They are naturally humble, bragging is frowned upon by the Jante law which naturally leads to people aspiring to always do better. They are very open, direct and clear. You tend to know where you stand with them. All qualities universally respect in a leader.

### 4. Have an impact

**MF:** "Scandinavian leaders believe that each employee has an equal impact on a business and hence genuinely appreciates your contribution. They encourage people to have an influence on the business and are not micro-managers which again breeds innovation throughout companies."

### 5. Low fear of failure

**MF:** "Scandinavians are naturally adventurous people stemming right back to the Viking era, they have an urge to explore and are unafraid to do so. This characteristic is inherently part of the culture and manifests itself in the way businesses are run. That trait, in combination with the low unemployment rate and the social security that exists in the Nordics, means that generally entrepreneurs aren't scared of failure which is exciting and can contribute to a positive working environment." ■