

STARTUP SNAPSHOT:

IS THE WORLD GETTING FLATTER?
200+ ISRAELI STARTUPS SHARE
INSIGHTS ON ADAPTING TO THE
NEW REMOTE REALITY



Y. BENJAMIN



YIGAL ARNON & Co.
LAW FIRM



Second Edition, Nov 2020

Our mission: Creating transparency in the Israeli ecosystem

THE NEED

The startup ecosystem moves fast and breaks new grounds. Major black swan events, like the COVID-19 pandemic, force entrepreneurs to be even more flexible and adapt quickly to the rapidly changing times.

However, even for the quickest and most innovative thinkers, navigating the future is tougher than ever. The reality is that when making crucial decisions, founders are often in the dark. They don't have the full picture of what is happening in the ecosystem.

VISIBILITY THROUGH DATA

We are here to change just that. Our multi-disciplinary team is on a mission to increase transparency, building the first ever data-sharing platform in the Israeli startup ecosystem.

We aim to provide a window into what is going on within the life of a technology startup as it is being experienced by the entrepreneurs themselves.

THIS REPORT

The COVID-19 pandemic has put global travel at a standstill, greatly affecting Israeli startups who are geographically far from their target market. Gone are the days where founders can hop to SF for a weekend, attending busy conferences, meetings and roadshows. Essentially, Israeli founders must now build and manage global companies, locally.

We set to find out how founders are adapting to these changes, and whether the remote strengths they are developing will effectively “flatten the world”, creating a long-term global advantage.

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Consigliari

Y/TECH
RUNWAY

Report Highlights

Startups are facing a new remote reality, adapting all aspects of their business. Will the new capabilities they develop create a long-term advantage for local tech?

1. Workforce



The WFH shift is hurting company culture, yet it is also providing opportunities for new types of cost savings and flexible hiring options

2. Sales



The new sales playbook: More focus on digital channels, new distributors and increasing importance of online customer success

3. Product



To stay relevant, startups are adapting their product, with the majority adding new features and 26% re-hauling their product offering

4. Fundraising



Early stage founders are increasingly struggling with the remote pitch: Smaller check sizes and less international interest

5. Accelerators



Accelerator programs must adapt to stay relevant to the changing startup needs, providing tailored intros to investors and mentors

About the Respondents

200+

STARTUPS

54%

RAISED \$10M OR LESS

81%

1-40 EMPLOYEES

71%

GENERATING REVENUE

The Team

Leading industry players join forces to provide ecosystem visibility through data



Yael Benjamin
Founder, Y. Benjamin
Strategic Marketing

Yael is the founder of an advisory firm that gets innovators from conception to market quickly. Formerly a strategic consultant and investment banker, she specializes in turning business messages into highly engaging materials that secure investors and clients.



Yifat Oron
CEO,
LeumiTech

Yifat manages Leumitech, the banking arm of Leumi Group, catering to the financing needs of tech companies of all sectors and stages and VCs. She enjoys 20+ years experience working with tech companies, through her experience in VC, banking and consulting.



Tzahi Weisfeld
General Manager Ignite:
Intel for Startups

Tzahi heads Intel for Startups. He is the former GM of Microsoft for Startups (110 countries), as well as a serial entrepreneur and investor. He was named one of the 10 top most influential Israelis in Tech Worldwide by Business Insider.



Nimrod Vromen
Partner Yigal Arnon

Entrepreneur at heart, having represented hundreds of startups from ideation onwards. Nimrod is the CEO of Consiglieri, disrupting professional services for the tech ecosystem, and a partner at Yigal Arnon & Co's tech department, as well as CEO of content platform [Ytech Runway](#).



Liat Aaronson
Chairperson of Zell Entrepreneurship
Program at IDC Herzeliya

Liat is the co-founder and CSO at Horizon Labs, a blockchain tech company helping business ecosystems interact. She is also the Chairperson of the Zell Entrepreneurship Program, a venture creation program she helped grow and develop over the last 15 years.



Robert Cohen
Partner Benson Oak
Ventures

Robert is Managing Director of Benson Oak Ventures, a multi-stage fund which leads investments in Israeli startups focused on Consumer and SMB Tech. He has been managing investment funds for 20+ years, with operational experience in building global brands and scaling business models.

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1 THE WORKFORCE



The future of work is here

COVID-19 brought an abrupt shift in how we work, as companies across the globe closed their doors and employees adopted the home office, often for the first time. The change was swift and dramatic.

Unlike the rest of the world, which had been making slow forays into workplace flexibility, this model is novel for Israel: According to a study done by the [Israel Democracy Institute](#), before the coronavirus, 95% of salaried workers in Israel did not have the option of working from home.

Today, these employees, their spouses, and often their children are working, learning and playing at home. Organizations are grappling with new

challenges arising from this new reality. How does WFH effect productivity? Company culture? The shape of the workday? Agile companies are adopting tools and technologies designed to manage the remote office effectively.

Alongside the challenges, remote work opens up many exciting opportunities, including the leveraging of global talent, reduced real estate costs and increased employee satisfaction. We explored how Israeli companies are adapting to WFH. Can this trend, initially just a response to the pandemic, result in better productivity and management in a post-COVID world?

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Offices are a part of the past.



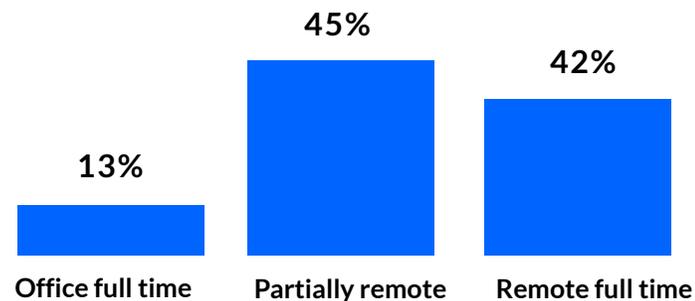
– Robert LoCasio, Liveperson CEO

The remote shift: A potential cost saver

Interestingly, many Israeli employees have embraced the WFH model, leading companies to reevaluate the required 9 to 6 presence. For example, cybersecurity firm Check Point Technologies Ltd., reported in July 2020 that [55% of employees](#) want a hybrid of working from home and the office, but prefer their home to be their main workplace.

In addition to employee satisfaction, remote could lead to significant cost savings, leading traditional office space to become a thing of the past. [McKinsey](#) points out that real estate costs, often the largest cost category outside of compensation, could be reduced by 30% with the new remote trend. Just expanding remote work to the 800,000 public sector workers could save the economy [NIS 850 million](#) net annually.

HOW IS YOUR TEAM WORKING TODAY?



44% OF STARTUPS REDUCED OFFICE SPACE OR CANCELLED LEASES

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Real estate costs could be reduced by thirty percent with the new remote trends.

- McKinsey & Company

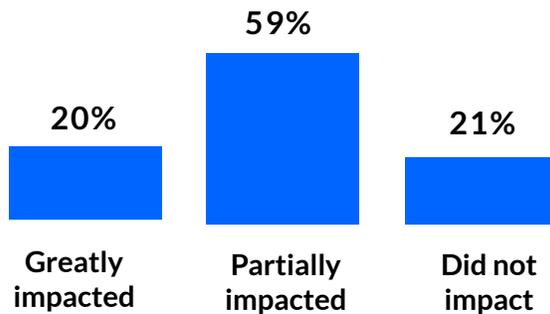
Working remotely: Is it working?

CULTURE



COMPANY CULTURE IS SUFFERING

IMPACT OF COVID ON CULTURE

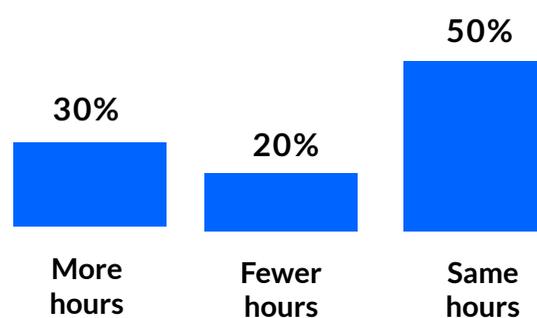


HOURS



EMPLOYEES ARE NOT SLACKING OFF AND PUTTING IN THE HOURS

HOURS TODAY COMPARED TO PRE-COVID

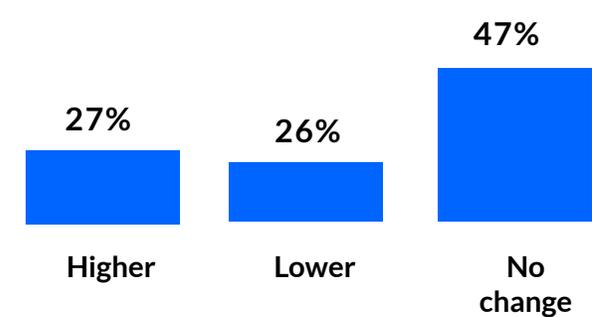


PRODUCTIVITY



PRODUCTIVITY WAS NOT HURT AND FOR SOME EVEN IMPROVED

PRODUCTIVITY TODAY COMPARED TO PRE-COVID



A sustainable shift? Will the declining company culture and long work hours affect motivation and productivity long-term?

Outgage strengthens company culture remotely



“Employers are looking for new channels to engage employees working from home

Mika Bella Kayt, CEO Outgage

EMPLOYERS BECOMING LIKE MARKETERS

In the recent months, the Outgage direct mail solution has seen rapid growth in demand from its main segment, Marketing teams, as well as exponential growth from a new segment, Corporate HR departments. The COVID pandemic has forced employers to start thinking like marketers, looking for new and creative ways to engage and retain their employees, as it becomes increasingly clear that the WFH trend will be here for a while.

A HUMAN TOUCH IN A REMOTE WORLD

To cater to the growing demand, we have developed [Outgage Express](#), a simple, self-serve platform fit for both marketers and employers. The solution allows teams to create exciting direct mail campaigns that combine engagement between the online and offline world. The solution allows users to choose from a variety of goals, including holiday gifts, virtual events and more, sending branded corporate gifts across the globe.

The top tools of the WFH generation

ONLINE TOOLS USED TO FACILITATE REMOTE WORK



zoom

Zoom



Slack



Teams



Monday



Trello



Google meet



Dropbox



Skype



Google Docs



Whatsapp



Figma

miro

Miro



Notion



Discord



Basecamp



Use of WFH tools enhance the corporate memory. Whether employees like it or not, many more exchanges are recorded and logged. This will lead to more innovation and tools in data analytics and process management.



- **Nimrod Vromen**
Partner Yigal Arnon
and CEO Consiglieri

Hiring today's flexible, remote workforce

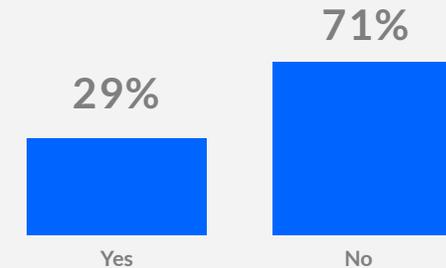
Coronavirus has had a huge impact on the hiring market. Given the vast volatility and desire to optimize costs, many startups froze hiring or reduced their workforce. Today, these same applicants are looking for new positions, leading to an excess of qualified candidates.

However, hiring opportunities abound far beyond the local workforce. Freed from geographic constraints, the importance of the employee's physical location is becoming less relevant. Israeli employers are leveraging the opportunity, tapping into top talent from around the world to build truly global organizations.

EMPLOYEE LOCATION BECOMING LESS RELEVANT

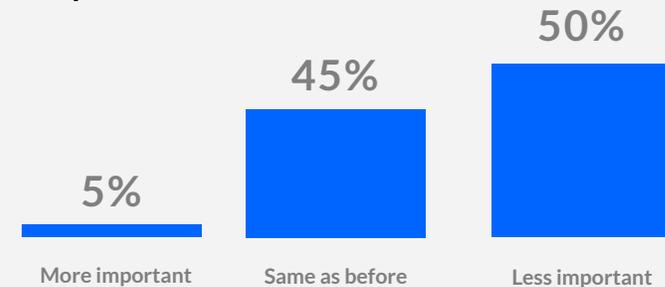
Startups are increasing reliance on outsourcing, tapping into the flexible, global talent pool

Are you increasing reliance on outsourcing?



With the remote work trend, startups are viewing employee location as less important

Has importance of employee location changed due to COVID?

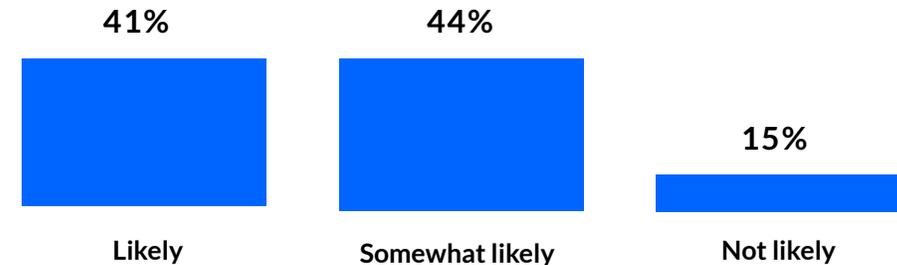


Is remote work here to stay?

MAJORITY OF STARTUPS LIKELY TO SUSTAIN REMOTE WORK SHIFTS FOR THE LONG TERM

With the pandemic continuing and the long-term benefits of remote work clear, companies around the world have stated that their employees will continue to work remote well into 2021. But many have taken it a step further, vowing to allow employees to choose remote work for the long-term. Mark Zuckerberg, Facebook CEO, stated that he plans to get half of the company working remotely permanently.

Respondents likelihood to sustain remote work shifts 12+ months post COVID



”

As time goes by, we are seeing an erosion of the WFH model.

At first, we have seen great acceptance of the WFH model, including improved productivity for certain employee groups. Yet, innovation will suffer in the long-term, as the lack of water cooler conversations will limit the flywheel effect of new idea creation. It's very hard to innovate in a vacuum.



- Tzahi Weisfeld, GM Intel Ignite

Papaya Global questions WFH for the long-term



“We did not fall in love with the WFH trend and will not adopt it as the chosen mode of work in the post COVID reality

Eynat Guez, CEO Papaya Global

COVID FORCES A WFH SHIFT

With the outbreak of COVID and ensuing lock-down, we adopted the work from home model. Initially, the reaction was very positive, with employees enjoying the greater flexibility and teams moving full steam ahead. Yet, as time went by, it became clear to us that this model cannot be defined as “the future of work”, as the benefits of informal face-to-face interaction are invaluable to the growth of a startup looking to innovate.

THE DOWNSIDES OF REMOTE

The virtual conference calls enable employees to be present, yet quiet and passive, decreasing engagement instead of fostering teamwork and partnerships. On the other hand, in-person meetings generate strong value and engagement, creating informal colleague relationships that foster innovation. At the office, we can get everyone in on room and get things moving. I think it is important to provide employees some level of flexibility, yet we will not adopt full time remote as the chosen mode of work in the post-COVID reality.

2 SALES



Reimagining sales in a remote world

COVID-19 has brought with it an unprecedented level of uncertainty. The world dramatically shifted from one day to the next, bringing with it a clear change in client priorities.

Startups are forced to experiment and adapt, reinventing the way their sales teams interact with clients. Far away from their target market, without networking and conferences, companies are creating a new sales playbook. Including increased reliance on digital sales and distributors, the new playbook includes strategies that must be learned, tested and perfected.

However, if successful, the new sales playbook has the potential to ultimately create a monumental, long-term advantage for Israeli tech. Essentially “flattening the world”, the geographic distance from international markets will no longer be a competitive disadvantage, and local startups will successfully compete with global firms, all from the comfort of their own home.

We set out to find out how Israeli startups are adapting their sales strategies to the changing days of remote sales and whether the new sales playbook will ultimately create a real advantage.

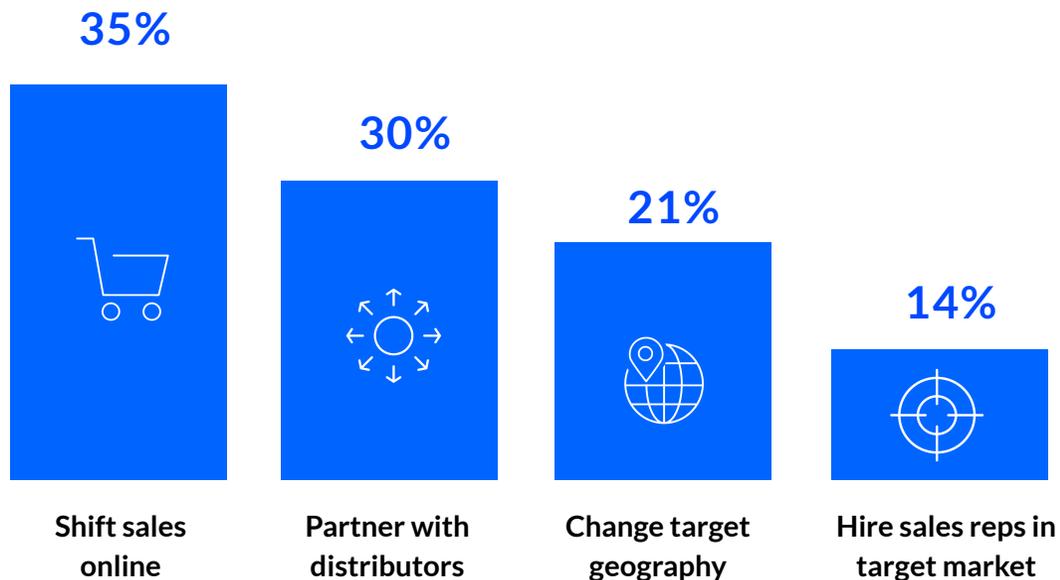
60%

**OF STARTUPS CHANGED THEIR
SALES STRATEGY DUE TO
COVID-19**

Shifting sales strategy: New channels, geographies and reps

AS A RESULT OF COVID, HOW DID YOU MODIFY YOUR SALES STRATEGY?

% of total respondents that modified their sales strategy (does not include "other")



”

There is a need for new sales channels— ones that generate highly qualified leads while also providing startups with crucial client feedback. In today’s remote reality, channels must bring founders closer to the market, providing transparency and access to market feedback in order to enhance the product-market-fit cycle.

- Tzahi Weisfeld
GM Intel Ignite



Tailor-ED shifts to a new target geography



“COVID closed U.S. schools and froze budgets. Australia was business as usual.

Maayan Yavne, CEO Tailor-Ed

COVID CLOSURES U.S. EDUCATION

When COVID hit, the U.S. educational system went into a total lockdown, schools were shut down and budgets frozen. Teaching moved remote and educators were in dire need of new solutions to manage the shift, yet decision makers were focused on surviving and not open to innovation. With our main target market blocked, we started looking for new possibilities.

AUSTRALIA: A NEW OPPORTUNITY

COVID didn't hit the Australian educational system as hard as other parts of the world, with most of the school systems still open. The market was a great fit for us. As they were English speakers, we didn't need to adapt the product. They were just beginning their annual sales cycle, open to adopting new and innovative technologies. We decided to test product-market fit and within weeks secured multiple pilots.

Acceleration of digital sales- A massive opportunity

THE INS AND OUTS OF DIGITAL

The reliance on digital channels has grown significantly over the past couple of years, a trend that has been rapidly accelerated with the outbreak of COVID-19. According to a new [McKinsey study](#), sales leaders on average rate digital channels approximately twice as important now as before the pandemic.

The digital trend is clear around the world, but the need is even greater for Israeli startups. Far away from their target market and currently limited in interaction with global customers, the shift to digital represents a massive opportunity for Israel tech, but one that they must learn and perfect.

64% OF STARTUPS
INCREASED RELIANCE
ON DIGITAL CHANNELS

WHAT DIGITAL CHANNELS ARE INCREASINGLY BEING USED?

From respondents that increased reliance on digital sales channels

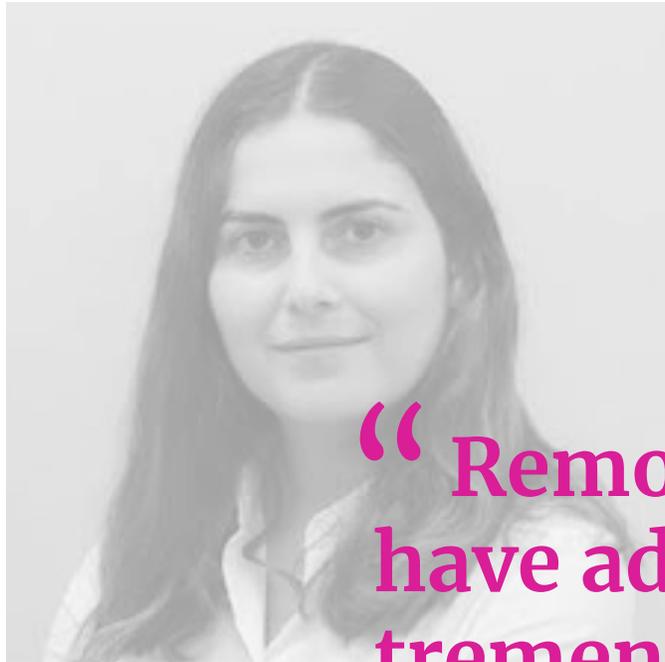


“Digital represents a growing opportunity for Israeli startups to ‘level the playing field’, reaching global scale in a cost-efficient and data-focused manner. This is especially true for the new wave of SMB startups, as they increasingly leverage digital market best practices from B2C to reach and engage SMB clients.

- Robert Cohen
Managing Partner, Benson Oak Ventures



Sternum perfects digital deployment



“ Remote POCs have added tremendous value both to us and our clients

Natali Tshuva, CEO Sternum

A BLESSING IN DISGUISE

Before COVID, we would do on-site POCs for the Sternum security offering. Even though this required a large investment from the client, both in terms of time and budget, this was how things were traditionally done. However, COVID grounded flights and brought with it a rapid shift to remote POCs, generating strong benefits both for us and our clients.

THE LOW COST, LOW TOUCH POC

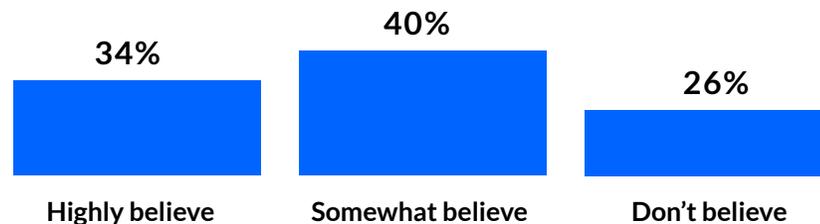
It turns out that the benefits of remote greatly outweighed the challenges. Issues that were once big hurdles, such as proprietary client IP, are becoming increasingly less relevant, as clients are becoming more flexible and adapting to the new market reality.

Furthermore, the remote deployment process is infinitely more effective, allowing us to close exponentially more POCs in a shorter time period. No more flights and in-person sessions to get the whole team aligned, just a couple of zoom calls. The best part is that the client gets value instantly, no need to allocate R&D resources or team members to execute the process, they just send us the materials and we get to work.

Online customer service is becoming a main differentiator

With today's intensifying market competition, the growing necessity to create a direct relationship with clients is becoming increasingly clear. More than ever, startups must strive to better understand their clients' needs, adapting their product and service to fit what clients are expecting. The strengthening of the company-client bond has been evolving for years, yet the trend has been greatly accelerated by the COVID pandemic. To retain increasingly savvy clients, startups are striving to perfect their level of online customer support, becoming more attuned to the needs of the clients and creating a long-term direct relationship.

WILL ONLINE CUSTOMER SERVICE WILL BECOME A MAIN COMPETITIVE DIFFERENTIATOR?



”

Customer support and success represent a high reward marketing activity. A way for companies to put users first, differentiate their product and engage users, while building out a customer centric brand. The most successful companies will use a myriad of ways to connect with both existing and potential customers and use internal support teams to help their customers succeed, thus fostering a stronger brand relationship.



- Yoni Mindel
Partner, Benson Oak Ventures

Cutting sales budgets? Doesn't look like it

As startups modify their distribution strategy, they must also examine and reassess their sales budget. The majority of startups surveyed did not change their sales budget, choosing instead to focus on doubling down and securing market share in these changing market conditions. Some budget cuts have been reported mostly from B2B companies who are now facing the cancellation of conferences and physical meetings, reassessing and shifting how they allocate their budgets.

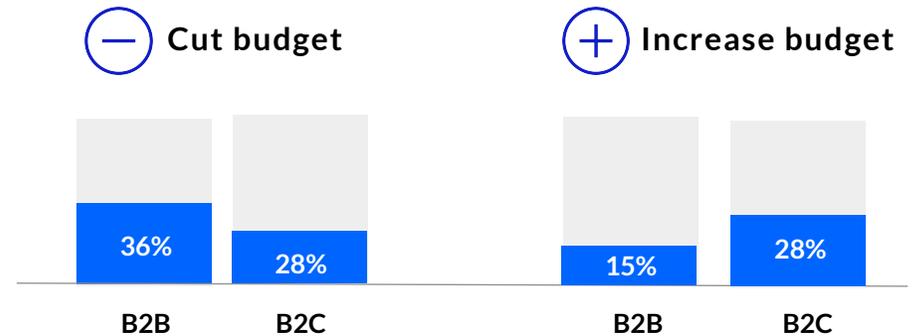
MOST STARTUPS ARE PLAYING OFFENSE

The majority of companies didn't cut their budgets, rather, repositioning, shifting strategies and going ahead to capture new market opportunities in the coming months.



WHO IS CUTTING AND WHO IS SPLURGING?

% of B2B or B2C respondents that cut/increased sales budget



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Iconic companies are not created from slowing down or avoiding risk. To win in today's market, founders must play offense, making bold moves when others pull back.



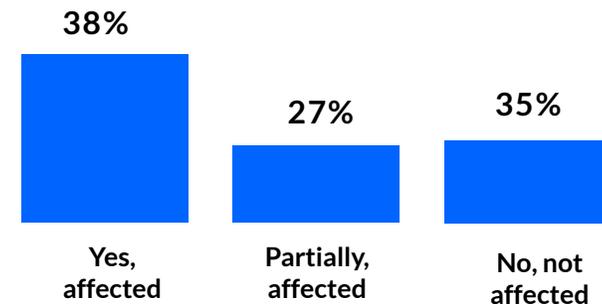
- Gigi Levy-Weiss
General Partner NFX

Grounded flights are grounding deals

Even though Israeli startups are far from their target market, entrepreneurs frequently engage with clients and investors, flying across the Atlantic for a couple of hours at a conference or handshake at a meeting. However, the COVID-19 pandemic has put a standstill to travel, forcing Israeli companies to manage global companies, locally. Founders must find new ways to replace in-person interactions and generate new client relationships from afar. If successful, this capability will create a competitive advantage for Israeli tech, allowing entrepreneurs to fly less and free up valuable time and funds for building their companies.

LACK OF TRAVEL IS NEGATIVELY AFFECTING BUSINESS RELATIONSHIPS AND SALES

% of respondents that saw a decrease in business relationships/sales due to absence of travel



**A LASTING CHANGE:
POST COVID FOUNDERS WILL
FLY LESS THAN BEFORE**

↓ 62%



WILL FLY LESS
than before COVID

↑ 38%



WILL GO BACK TO FLYING
Same as before COVID

3

PRODUCT



Redesigning today's product reality

The COVID pandemic has disrupted global market dynamics, reinventing entire industries and causing substantial changes in clients' needs.

As a result, startups are being forced to tackle difficult questions, ones that will make or break their companies: Did the new reality change the relevancy of my solution? What changes need to be made to my product, offering and technology?

In order to stay relevant, startups must move quickly, adapting their products to the changing needs of the new global reality. Sometimes only small features are tweaked. In other cases, developing opportunities in new applications and distribution models are leading to the immediate development of completely new products that center around existing technologies.

Various additional market trends, including the increased adoption of digital distribution strategies and remote implementations are leading to product standardization and self-serve features.

We set to find out how Israeli startups are adapting their product development to the changing times, checking whether budgets are being cut and new features added.

In order to stay relevant, startups must move quickly, adapting their products to the changing needs of the new global reality.

Markets are changing, products are adapting

THE NEW PRODUCT ROADMAP

The COVID pandemic brought with it a major shift in global markets, forcing startups to move quickly and adapt their products to the changing business dynamics. Entire products are being redesigned, as functionality that was once thought to be crucial is now becoming increasingly irrelevant. Product development roadmaps, which were once created for months going forward, are now being analyzed and reconfigured from scratch. Product launches are being reconsidered and sometimes delayed, as client budget and attention is limited.

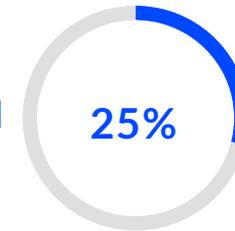
55%

CHANGED (OR CONSIDERING CHANGING) THEIR PRODUCT DUE TO COVID

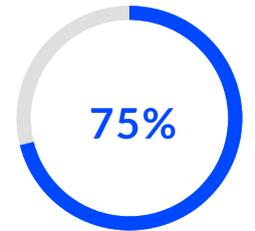
TYPES OF PRODUCT CHANGES

(% of respondents that made changes to their product)

Substantial changes



New features

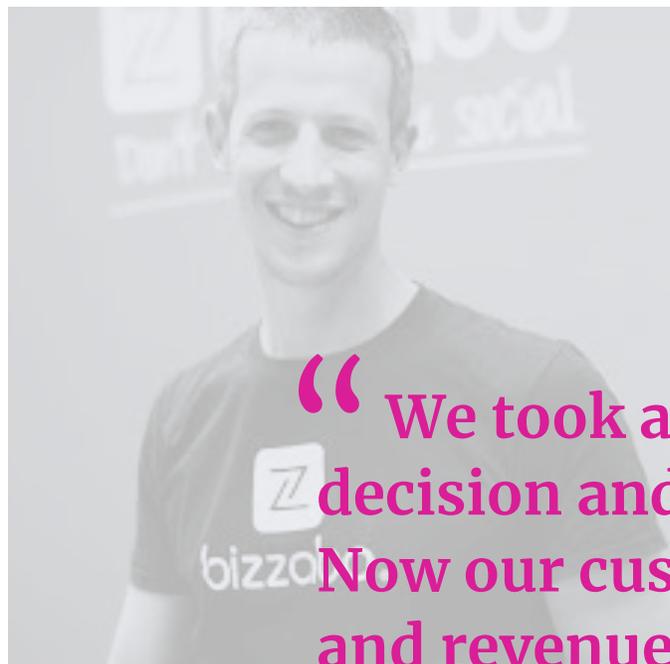


In the COVID era, it is no longer possible to generalize feedback from one or two design partners to the wider industry. With constantly shifting trends and buyer needs, it is becoming increasingly crucial for startups to validate any product changes by interviewing a diverse pool of industry contacts, including potential clients, subject matter experts, investors and even competitors.



- Yael Benjamin,
Founder Y.Benjamin
Strategic Marketing

Bizzabo designs the conference of the future



“ We took a brave decision and went all-in. Now our customer base and revenue have almost doubled compared to pre-COVID.

Boaz Katz, Co-founder Bizzabo

COVID CANCELS CONFERENCES

Bizzabo is an event success platform that helps marketing and event professionals unleash the power of in-person business events to create impactful experiences. In March, our industry was erased overnight. If we didn't move fast, we would run the risk of becoming obsolete ourselves.

ONE BRAVE DECISION, ONE NEW PRODUCT

We took a risk and decided to develop a completely new virtual product. Our goal was to design a long-term solution that could cater to what we predicted would be the “hybrid” events of the future- events that meaningfully integrate in-person and digital attendee experiences. We moved all our development power to focus exclusively on this one product, even at the cost of delaying existing product commitments for large clients.

BIZZABO'S NEW VIRTUAL CONFERENCE

The risk paid off. Within 4 weeks, we launched our new virtual solution and were the first to market, experiencing rapid growth over the past couple of months. Today, our product is powering events with 300K+ attendees in a single day—something that would be hard to imagine before COVID.

Growing focus on development of new features

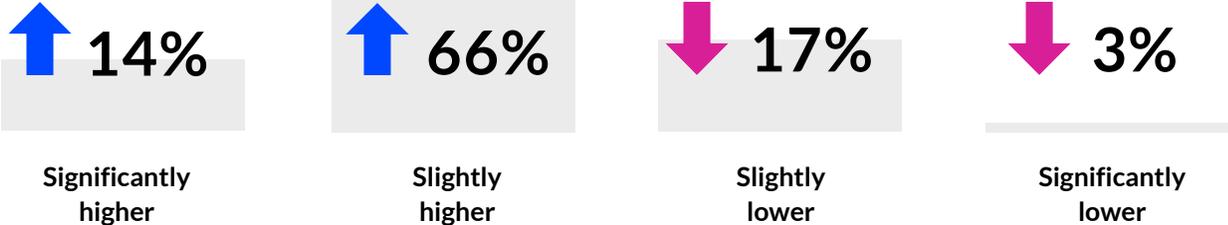
THE RUSH TO DEVELOP NEW FUNCTIONALITY

Today, buyer needs and market dynamics are changing at a rapid rate. In order to stay relevant, startups are increasing their investment in product development, moving quickly to adapt their products to the changing market needs. Features are being quickly adapted, as ones that were once thought to be crucial are now becoming increasingly irrelevant.

80%

OF STARTUPS INCREASED INVESTMENT IN PRODUCT DUE TO COVID

CHANGING INVESTMENT IN PRODUCT DEVELOPMENT SINCE MARCH 2020



Zencity adds new COVID management features



“ You have to deal with the crisis head on and not tip toe around it

Eyal Feder-Levy, CEO Zencity

THE NEED

The Zencity solution enables local governments to make data-driven decisions. In March 2020, local governments were forced to manage the COVID crisis and the decisions they were making could suddenly equal life or death for entire communities.

NEW FEATURES FOR A NEW REALITY

In order to stay relevant and provide our clients with the ability to make these crucial decisions, we developed an additional COVID focused feature set. Given that it was their first time managing a global crisis, our clients were still learning what they need. Our challenge was to keep our ear to the market, gathering feedback from clients about their needs, current workflows and future decision logic, while simultaneously using our know-how to design an advanced management tool. The first version was released to the market within 2 weeks and gave our clients an immediate solution to managing the crisis.

4 FUNDRAISING



Fundraising in times of uncertainty

COVID created major uncertainty in the global economy. However, the global chaos didn't seem to slow down local fundraising, with \$2.7B raised in 151 deals in Q3 2020. This is up 26% from Q2 2020 and 24% from Q3 2019.

However, there was a clear divide in market by startup size. Same as in 2019, mega deals of over \$50M made up a large percent of total deal volume. 2020 was marked by a record number of mega-deals, with 20 large deals in Q1-Q3 2020. This is clearly contrasted with the crunch in early stage rounds (seed and A). The number of Angel investors in seed rounds during Q1-Q3 2020 decreased by 60% from 2018-2019 levels.

However, despite the positive performance to date, there is growing uncertainty about how the dire global trends will affect local funding. Founders are facing a new and uncertain reality, one that affects all aspects of fundraising, from the pitch to check size and valuation. We set to find out how Israeli ventures are experiencing the market and their thoughts going forward.

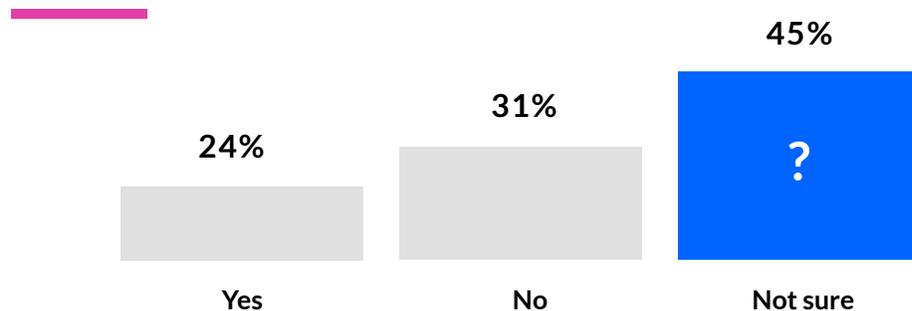
Founders are facing a new and uncertain reality, one that affects all aspects of fundraising, from the pitch to check size and valuation.

What are the trends? Founders aren't sure

FOUNDER UNCERTAINTY IS PRESENT

Despite the strong fundraising statistics for local startups, it is not yet clear how investors will evaluate the Israeli venture ecosystem going forward. Will Israel represent a growing opportunity for global investors, offering them access to strong tech talent and unique innovation opportunities? Or will Israel's geographical distance from its target market and global venture firms create a barrier to funding going forward?

ARE YOU SEEING SMALLER CHECK SIZES?

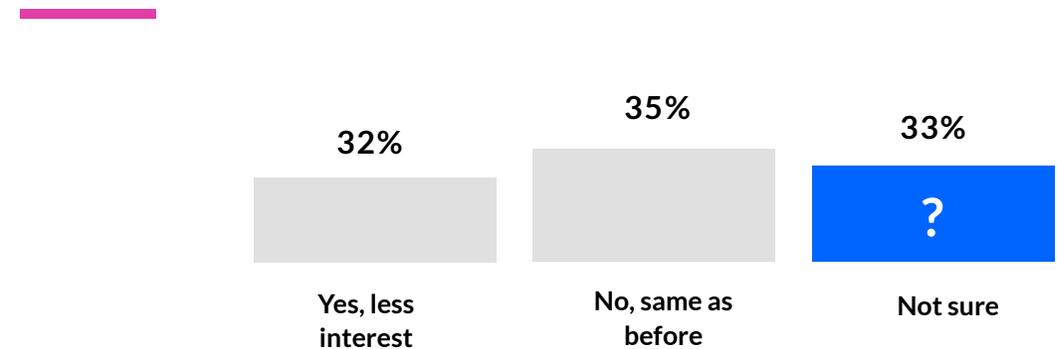


In today's uncertain environment, investor risk appetite is declining. Early stage startups must find a way to increase investor confidence, providing client feedback that validates demand in today's new market dynamics.



- Yael Benjamin,
Founder Y.Benjamin
Strategic Marketing

DID YOU SEE A CHANGE IN INTEREST FROM INTERNATIONAL INVESTORS?



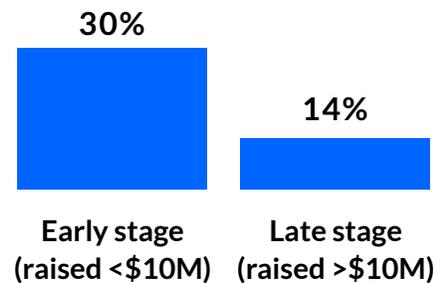
A divided market: Early stage ventures are struggling



CHECK SIZES

EARLY STAGE FOUNDERS REPORT SMALLER CHECK SIZES

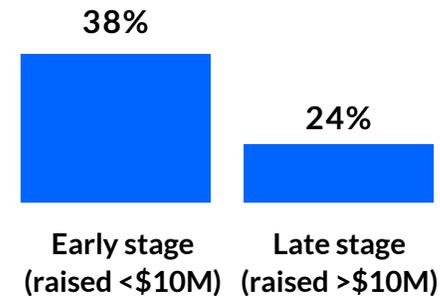
% of founders that reported smaller check sizes



INTERNATIONAL INTEREST

EARLY STAGE FOUNDERS REPORT LESS INTEREST FROM INTERNATIONAL INVESTORS

% of founders that reported less interest



Half a year into COVID, there is a clear division in the market.

Late stage companies are experiencing a golden age, while early stage companies are experiencing a crunch. It seems as though early stage companies are paying the price of the new remote, COVID age investment process.

- Yifat Oron,
CEO Leumitech



Early stage tip: Insist on a pre-money cap

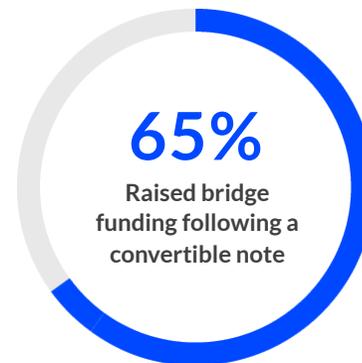
THE PRE VS. POST CAP DILEMMA

In today's uncertain market dynamics, fundraising via convertible equity, such as SAFEs and convertible notes, has become increasingly popular among startups, allowing them to postpone valuation discussions and secure funding through a fast and cheap process. The price at which shares are issued to a convertible investor is capped, via a pre or post money valuation cap, setting the max. valuation at which the investment can convert into equity in the next round.

In 2018, Y Combinator introduced the "post-money cap" to its entire accelerator cohort, explaining that it creates "cap table certainty". In reality, this "certainty" applies only to Y Combinator, who is not diluted by any additional SAFEs/notes the startup may raise following their investment. Unfortunately, YC's mass-use of this valuation cap system allowed investors to declare it an "industry standard", protecting their interests at the expense of the founders.

DOES THIS REALLY IMPACT FOUNDERS? YES!

When agreeing to a post-valuation cap, founders face extra dilution by any additional convertible financings taken by them, a scenario that seems highly likely in today's market. According to data from Yigal Arnon, 65% of early stage companies that raised a convertible security followed up on it with new convertible securities, suffering significant dilution if they agreed to a post-money cap.



The Post-Money Cap protects the convertible investor from any dilution by new money taken in convertibles after their investment, but the founders are not so lucky

“ Founders should insist on pre-money caps. Uncertainty over valuation stems from the general crisis we're in, and in these times, the majority of startups will follow up their last convertible financing with another convertible bridge financing, causing the damage of a post money cap to materialize big time.

- Nimrod Vromen
Partner Yigal Arnon
and CEO Consiglieri



Online pitching: Bypassing the zoom doom

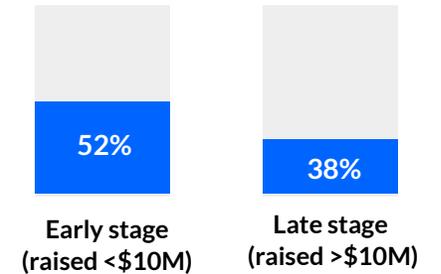
Pitching in the digital era can be a huge opportunity: Get access to hundreds of international investors without needing to jet set across the world. But for many, the difficulties are clearly evident. Digital pitches make it harder to get your personality and team dynamics across, inhibiting the natural banter that can be found in an in-person meeting. However, the remote pitch is a learned art and with time founders are learning how to be more well organized, planned and precise. They are beginning to use the digital platforms to their advantage and can begin to enjoy the rewards

MORE DIFFICULT TO CLOSE?



EARLY STAGE FOUNDERS ARE FEELING THE BURN MORE THAN LATE STAGE

(% of early/late stage respondents that reported online pitching is making it more difficult to close)



“

Today, early stage companies are at a disadvantage when pitching internationals. It is more difficult to diligence early stage companies from afar, as there is very little data available as to the health of the business. Lots of early stage DD is around the founding team, making the remote pitches tougher and often less effective. This is a stark contrast to later stage companies, who are enjoying international investments without any clear “penalty” for the remote investment process.



- Yifat Oron, CEO Leumitech

Epsagon fundraises remotely in COVID



**“We completed
80% of the
investment
process remotely
before meeting
our investors f2f**

**Nitzan Shapira, Co-founder and
CEO of Epsagon**

THE REMOTE PITCH

The COVID pandemic has rapidly accelerated the adoption of new cloud technologies and has led to exponential growth in sales of the Epsagon solution. Looking to capitalize on new opportunities, we raised an additional funding round in July 2020 from DTCP. Due to lockdown and social distancing requirements, we completed 80% of the investment process remotely, only meeting the investment team months into the process.

A SIGNIFICANT OPPORTUNITY FOR FOUNDERS

The physical distance from Israel to the Valley is a huge barrier for founders looking to fundraise. I think that the new remote pitching process has the ability to create many new opportunities for Israeli founders, who can now run a full global roadshow from the comfort of their homes, saving valuable time flying back and forth. Having run funding processes in person and remotely, I don't think there is significant disadvantage to the zoom pitch, especially in the beginning stages of the due diligence process.

5

ACCELERATORS



The new virtual ecosystem

The COVID pandemic has grounded flights, cancelled conferences and made mingling events physically impossible. As networking is hit, Israel's local founders are struggling to foster business relationships and generate new opportunities.

The plethora of innovation programs, including the various local and international accelerators, incubators and hubs, must adapt their offering to fit today's evolving startup needs. No longer satisfied with events and office space, startups are looking for more real and tangible value, including targeted connections to investors, clients and high profile mentors.

As these programs adapt, they are facing many challenges of their own, mainly how to provide startups the value that they need in today's virtual ecosystem. It is turning out to be impossible to translate networking

and content one-to-one from the physical world into the new digital ecosystem. Programs must test new engagement methods, providing some innovative and creative new ways to accelerate their portfolio companies forward.

We set to find out how these programs have adapted to the new remote reality and what new value they are providing.

The plethora of startup innovation programs must adapt their offering to fit today's evolving startup needs

Are traditional startup programs becoming less relevant?

FOUNDER FATIGUE FOLLOWING RISE IN NUMBER OF ACCELERATOR PROGRAMS

The last couple of years have been marked by a rise in new accelerator and incubator programs, each of them promising to help ventures develop their product, get to international markets and connect with investors. However, the abundance of options is often leading to founder fatigue. In today's uncertain market dynamics, when founders are increasingly in need of networking and mentorship, they often do not turn to acceleration programs. Has quality been replaced with quantity? And what value exactly are founders looking for?

DUE TO COVID, IS THERE IS AN INCREASED NEED FOR STARTUP PROGRAMS?

24%

+ More need

39%

- Less need

37%

? Not sure

“

The startup accelerator model is extremely outdated.

In today's remote reality, startups are looking for a new kind of value. They want highly tailored programs that help them reach specific business goals, providing credibility and validation for their solution, as well as strong access to global markets and customers.

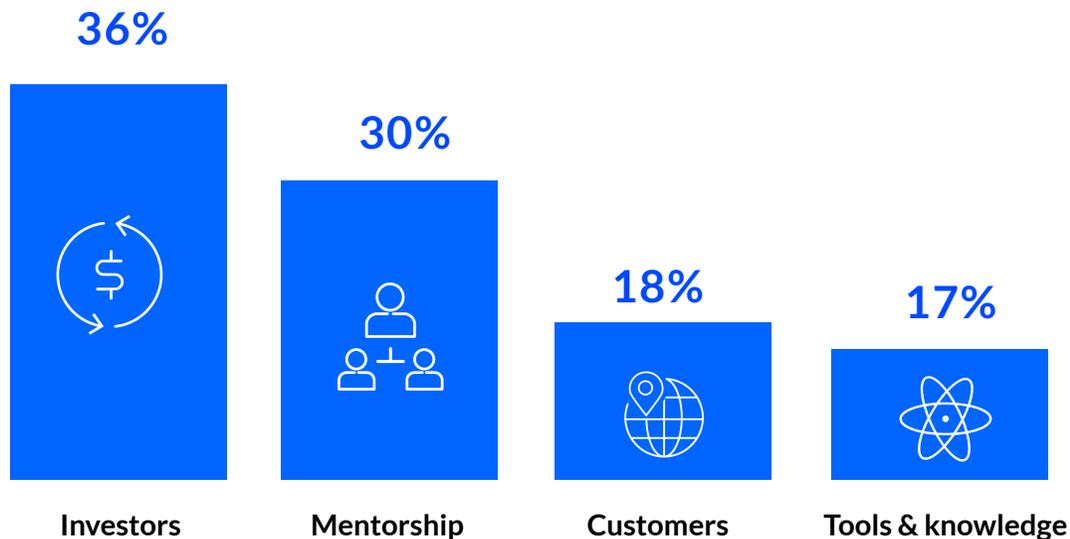
- Tzahi Weisfeld
GM Intel Ignite



Reaping the benefits of a virtual accelerator

IN TODAY'S MARKET, WHAT IS THE MAIN BENEFIT OF A STARTUP ACCELERATOR?

% of total respondents that chose each benefit (does not include "other")



“

Startups seek funding and mentorship.

In today's remote reality, growth programs and accelerators have the opportunity to tap into their network, providing startups with access to global investors and mentors via virtual channels. What started off as a challenge may turn into an opportunity to provide access to tier-1 contacts that would not be available in Israel otherwise.

- **Liat Aaronson**
Chairperson Zell
Entrepreneurship Program



Methodology

The Y. Benjamin Methodology

Y. Benjamin Strategic Marketing works with innovators on fundraising, strategy and marketing to help them commercialize ideas, fast. Startups, VCs and corporates turn to us for compelling business content that sparks conversation. For the survey, we employed an agile approach, leveraging our wide network to collect, analyze and visualize key insights that can be shared with the entire community.



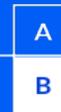
01 SURVEY DESIGN

We worked together with leading VCs to identify today's burning issues and formulate survey questions



02 DATA COLLECTION

We partnered with 30+ leading accelerators and funds who distributed the survey to their portfolio companies



03 ANALYSIS

We analyzed the data that was collected using the online survey platform Segmanta

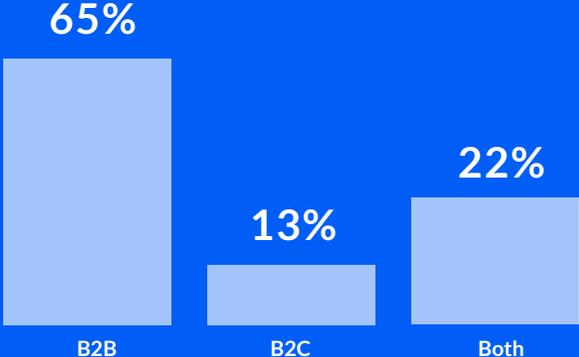


04 INSIGHTS

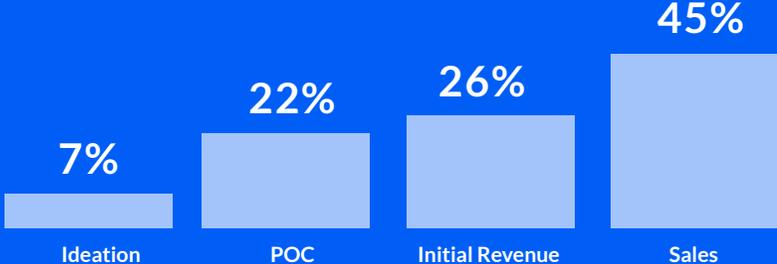
We worked closely with our partners to generate insights on key topics and industry trends

Demographics

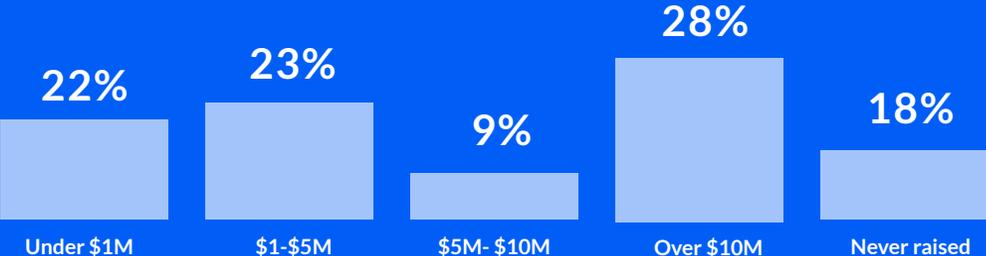
COMPANY TYPE



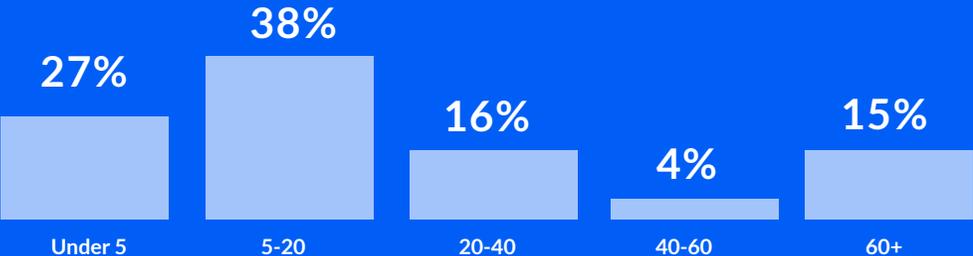
COMPANY STAGE



FUNDS RAISED



NUMBER OF EMPLOYEES





THANK YOU!

IF YOU WANT TO TAKE PART IN
OUR FUTURE EFFORTS TO
INCREASE ECOSYSTEM
TRANSPARENCY, CONTACT US AT
INFO@YBENJAMIN.COM
