



# Tech hubs in Europe: common characteristics and distinctive identities

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TMF Group, which helps companies expand and invest seamlessly across international borders, explores the views of its Managing Directors in the Netherlands, the UK, Germany and France on the factors driving the growth of tech clusters in these countries.

## Out of the shadows

When it comes to tech hubs, Europe is no longer playing catch-up with America. Vibrant start-up communities in cities like Munich, London, Paris and Amsterdam now attract significant amounts of money, talent and investment. The continent has finally stepped out of Silicon Valley's shadow. It is still early days, however. A European Commission study into tech clusters published earlier this year concluded: "Only a very small number of EU regions demonstrate intensive ICT activity, and a large share of the total EU ICT activity is concentrated in them"<sup>1</sup>. Those "first tier" locations - Paris, Munich and London - are followed by a second set of cities including Dublin, Cambridge, Stockholm and Amsterdam, which are growing rapidly but have not yet become world-class centres of digital excellence, according to the European Commission.

But what is clear is the European digital ecosystem is developing rapidly, thanks in large part to its unique nature. It has grown up around a network of hi-tech clusters that emerged independently, each with their own distinctive cultures but all of them sharing some common characteristics. A preponderance of cheap office space, savvy local or national governments, the availability of grants and tax incentives and easy access to a pool of talented young workers are prerequisites for success. Most of Europe's tech clusters are also close to well-established universities and many also benefit from technological infrastructure established by large domestic multinationals.

## University benefits

Eindhoven's High Tech Campus, now home to a plethora of digital start-ups, was founded by Dutch engineering giant Philips, for example. Zuidoost-Noord-Brabant, the municipality in which Eindhoven sits, is ranked ninth in the European Commission's ICT study. Amsterdam, which is ranked one place below, benefits from an abundance of affordable workspace that allows young digital businesses to share start-up costs, as well as the cultural and leisure attractions other European capitals can offer youthful employees. Huib de Kanter, Managing Director of TMF Group in the Netherlands, says the city's success also owes much to the Amsterdam Internet Exchange (AMS-IX) one of the fastest in the world, as well as its proximity to Schiphol airport. AMS-IX was founded by academic institutions in 1994 and benefited from an injection of public money while still in its infancy, Huib de Kanter points out. "The local Amsterdam government started to invest in it quite early. It is one of our sweet spots of innovation". Amsterdam is home to domestic travel website Booking.com (now owned by US company Priceline), Sat Nav manufacturer TomTom and the European headquarters of Cisco Systems. Huib De Kanter adds the fact that the Netherlands has "a very small home market" means the country has always looked overseas for growth, which gives cities like Amsterdam a global outlook.

The same could be said about London, which is home to a booming start-up scene that is nevertheless still in its infancy. "London accelerated very rapidly from about 2011 to the end of 2012", according to Dr Chris Moore, an ICT specialist at UK Trade & Investment, a government body. Hoxton Mix, the Brew, and TechHub, shared office space providers operating in the east of the city, the epicentre of the tech scene, now own several locations and have established outposts in other cities. "The operators have got the model right", Dr Chris Moore says. Google's Campus facility, a co-working space in the heart of East London's Tech City, which was opened by UK Chancellor George Osborne in March 2012, has also become a major draw for new businesses. "East London is one of the few places in London with the sort of space you can afford" says Michael Adams, UK Managing Director of TMF Group.

<sup>1</sup> De Prato, G. and Nepelski, D. (2014) 'Mapping the European ICT Poles of Excellence. The Atlas of ICT Activity in Europe', JRC Scientific and Policy Reports EUR 26579 EN. Seville: JRC-IPTS. [Click here to view.](#)



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## Rising UK rent

But he warns that businesses are being pushed further east to Canary Wharf by rapidly rising office rents in Tech City. Dr Chris Moore says others are looking south, to London suburbs like Croydon. There are other challenges, according to Michael Adams, including the difficulty of obtaining visas for talented developers and programmers, and access to funding. "The UK is generally excellent on tax – it's an easy place to do business in. But the banks are not doing enough to support SMEs. We need other forms of seed capital, like peer to peer lending. Amazon, Facebook and the like all came from great ideas. We're having the great ideas but we need to keep an eye on the competition".

## Germany

Rival European capital Berlin, ranked 15th in the EU study, has become an established start-up hub but does not yet have the commercial clout to augment its growing status as an administrative and cultural centre. Angela Bartl, Managing Director of TMF Group in Germany says it is Munich rather than Berlin that attracts new digital businesses, mainly because it gives them access to customers in the prosperous Bavarian regions and the wealthy areas of Austria and Switzerland it borders. Munich has a well-established manufacturing and hi-tech industry and is home to Fujitsu, engineering company Linde and Siemens, Bartl points out, and although rents are high they are worth paying. "It is more expensive than other cities but if you compare the costs to the possibility for growth start-ups can afford to go to Munich".

## France

France is well known for adopting a more dirigiste approach than some of its neighbours but Paris is also prospering in the digital age. Paris raised more private equity money than any city apart from London last year, says Yvette van Loon, Managing Director of TMF Group in France, and although it is not straightforward to set up a business in France, access to Europe's second largest economy guarantees start-ups a big consumer and business audience from the outset. In the early part of the last decade, the French Government established a series of "innovation clusters" across the country, bringing together research institutes, universities and the private sector. French President Francois Hollande is even taking the fight to the US, launching two French tech hubs in San Francisco and Cambridge, near Boston, in February 2014. The hubs serve a dual purpose: they are designed to make it easier for French companies to establish a foothold in the US, and to encourage young French tech workers and entrepreneurs who are leaving their home country to retain their ties with France. If Europe's tech scene continues to grow at the same pace that it has in recent years, there will be more reasons for them to stay on this side of the pond.



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