

How “EmergEd” startups are changing the investment geography map

Since the end of the 20th century, the countries of Central and Eastern Europe (CEE), the Balkans, the Baltics, and the South Caucasus have come a long way from almost nothing to what we can now call “emerged” economies. Despite hardships and limited resources, these countries have brought up fantastic tech professionals and startup founders known to be behind unicorns such companies as OpenAI, Grammarly, Miro, Flo, and Revolut.

Temps de lecture : minute

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Resilient and highly adaptable, the “emerged” founders are quietly yet persistently driving technological progress and innovation amidst global economic instability. However, investors remain cautious about “emerged” markets, prioritising US-based and Western European startups. As a result, the whole startup industry has become highly polarised. Our mission at EMERGE is to showcase the diversity of tech talent and help develop new startup hubs across these “emerged” economies.

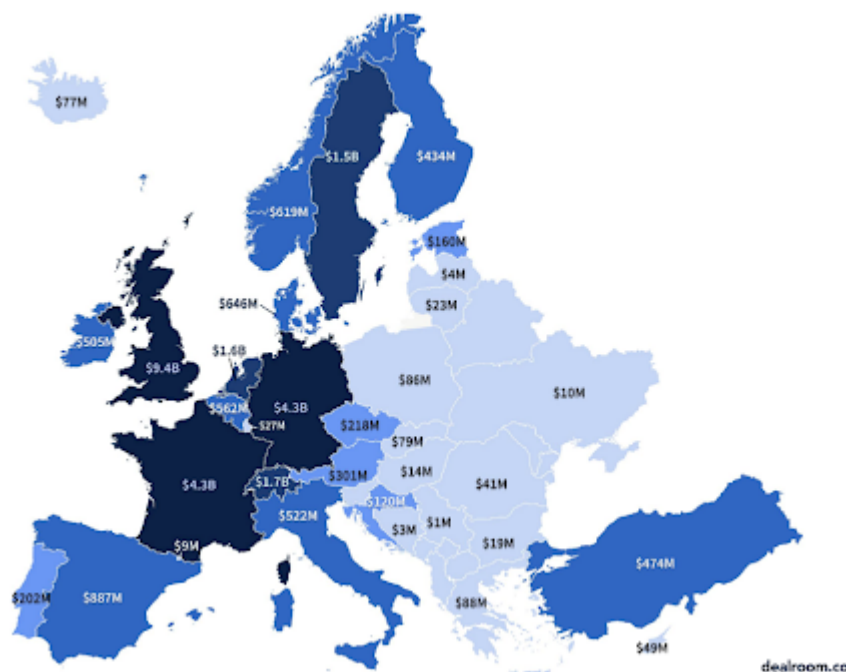
Startup industry in EmergEd Markets

The global startup industry is not geographically uniform. The US has long been a magnetic pole for founders from around the world who aspire to become the next “Airbnb” or “Facebook.” If a founder plans to raise sufficient funding, entering the US market is an absolute must in 99% of cases.

Slowly but surely, emerging markets are becoming new centres of gravity, attracting entrepreneurs and tech talent who see untapped niches and opportunities to explore. Many startups achieve significant local success that would be impossible in more saturated and competitive Western economies.

Each year, the names of “emerged” unicorns sound louder and louder, for example, the Polish logistics delivery company *Inpost*, the Lithuanian marketplace *Vinted*, the Bulgarian fintech platform *Payhawk*, and many others. Such companies become anchors for local economies, providing modern technological solutions for convenient living, creating job opportunities, and attracting the attention of the global investor community to local talent.

The Investment Gap



Source: Dealroom

Despite notable investment rounds in Q2 2024 — such as \$168M for

Estonia-based hydrogen company *Elcogen* and €160M for *Rohlik Group* from the Czech Republic — the startup industry across CEE, the Baltics, the Balkans, and the South Caucasus receives minimal attention from global VCs. This is clearly illustrated on the Dealroom map, where “emerged markets” appear rather pale in contrast to Western Europe.

The startup scene in “emerged” markets is characterised by a scarcity of smaller funding rounds, with only a few notable mega-rounds filling the void. Local founders have proven their ability to raise “unicorns” even in unfavourable economic conditions. However, while founders’ personalities indeed matter, many other factors influence investors’ decisions.

Investor concerns

According to Recruiter Magazine’s overview of Vestbee Funding in the CEE Report for Q2 2024, the *CEE region remains vulnerable to macroeconomic fluctuations and geopolitical challenges*. This is a fair statement for all “emerged” markets considering their unique characteristics that combine features of both emerging and developed economies. On the other hand, this presents experienced investors with an opportunity to place their bets on rapidly growing ventures that could yield significant returns — something possible only in developing economies.

Another factor keeping investors concerned is physical remoteness from the fast-paced US market. According to Borys Musielak, Founding Partner at *SMOK VC* and an investor in CEE startups, being distant from Silicon Valley *requires high defensibility* for CEE startups; this applies equally to other “emerged” markets. The ability to stay one step ahead of competitors is challenging when founders are not in the thick of things. However, nothing is impossible with investors’ support.



Borys Musielak • Following

Founding Partner at SMOK.vc. I invest in early stage startups in CEE & diaspor...
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Part of the reason it's so hard to compete with Silicon Valley startups.

If you are in CEE you actually need that defensibility as they have all the speed they want (yes, you can buy speed with VC money).



Jared Friedman ✓ 
@snowmaker



Investors always want to know how your idea is defensible.

The truth? There is rarely defensibility. There is only speed.



Suhail ✓ @Suhail · 16h

Always expect a great idea to be ruthlessly copied. Ship as fast as possible.

5:42 AM · Sep 17, 2024 · 57.8K Views

Source: [LinkedIn](#)

Perspectives

Despite the lack of interest from prominent VCs, “emerged” startup markets appear to be much more resilient to economic fluctuations, which could shake up the leading markets. Taught to be self-reliant and not dependent on millions in financing to survive, startup hubs in Central and Eastern Europe, the Baltics, the Balkans, and the South Caucasus will continue to expand and grow stronger. Local state and privately sponsored grants, corporate funds, as well as regional VCs will provide founders with the funding, necessary for sustainable development.

Over time, Warsaw, Prague, Sofia, Tallinn, and Yerevan are expected to become strong European startup hubs powered by the ecosystems of multiple local funds, accelerators and communities. While the US and Western European markets will remain the major destinations for

ambitious founders pursuing larger investments, the “emerged” markets are anticipated to get more visible to the global community.

International startup platforms like *Viva Tech*, *EMERGE*, *Slush*, *Wolves Summit*, and others are actively contributing to breaking the borders between global funds and local startups. They facilitate productive networking between startups and investors, provide platforms for active experience and knowledge exchange, and create new opportunities for international collaboration.

Nowadays, predicting the future is the lot of the light-minded, the fortune-tellers, or the wisest business movers and shakers. Not belonging to any of the three categories, it is safe to assume, that in the absence of any unforeseen circumstances, the future of “emerged” startup looks rather positive.

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