

Hungary strives to be central Europe's start-up capital by 2020

August 27 2014, by Helene Bienvenu

From a sleek, modern office in the middle of Budapest's old town, Ustream provides live video streaming to clients such as Samsung and Sony.

Nearby, Prezi has created a zooming presentation tool that even U2 singer Bono used last year for a talk on global poverty.

These are just two of about 200 start-ups which have sprung up in Hungary in recent years, with the government pushing for the nation to become central Europe's start-up capital by 2020.

Availability of capital, well-trained engineers and low salaries: professionals here insist Budapest is an ideal base for IT start-ups.

"With all the available talent, we thought we would do better here instead of being just another start-up in Silicon Valley," said Gyula Feher, 36, founder and [chief technical officer](#) of Ustream.

The company, set up in 2007 with two US partners, is now worth an estimated \$150 million (113 million euros), according to a recent study published by The Economist, and has offices in San Francisco, Los Angeles, Seoul and Tokyo.

LogMeIn, which allows companies to access and control their computers remotely from anywhere in the world, is Hungary's biggest start-up with an estimated value of \$1.2 billion and has clients such as HSBC, IBM,

SAP and Rolls-Royce.

With Prezi and Ustream, it makes up the top trio of Hungarian start-ups, but many more are hoping to make it big.

And although Budapest is not yet in the same league as start-up hubs such as London, Berlin or Stockholm, the potential—along with government and private capital—is there, professionals insist.

"There's a lot of money that is only waiting to be invested, and few credible start-ups. In San Francisco, it's the other way around," said David Ottlik of Synetiq, a start-up specialising in neuromarketing—measuring emotions and brain activity to predict consumers' reactions.

The high level of science education in Hungarian schools also means there is a wealth of talent that can be used, says Prezi chief executive and co-founder Peter Arvai.

And the lower wages make a difference, extending the amount of time it takes for a new company to exhaust its starting capital—a potentially crucial factor.

"Hungary trains between 8,000 and 10,000 young engineers every year. And they work from 250,000 forints (795 euros, \$1,050) per month, four times less than in Berlin," noted Csongor Bias of Design Terminal, a "start-up incubator" which is financed by the government and helps new companies set up their businesses.

Ambition, creativity

All this helps to explain why already successful Hungarian start-ups have stayed at home, although much of their business is done abroad.

LogMeIn has its headquarters in Boston, Massachusetts but its development centres are still in Hungary, while Prezi says it never targeted the domestic market, immediately developing its product in English.

"As long as we can fulfil our needs, we prefer to stay here," noted Ustream's Feher.

The government has caught on and announced a series of projects to make the country a start-up hub by 2020: on top of Design Terminal, it is planning four so-called start-up accelerators, which provide broader financing and mentoring.

A national innovation office was set up in 2012 within the economy ministry, and well-known entrepreneurs and experts have been nominated to key government posts.

Help from Design Terminal has already enabled Synetiq to present its product at New York's Northside innovation festival in June.

Hungary's top start-ups have also begun a fellowship programme, Bridge Budapest, to give talented young people practical experience in one of their firms for a month.

Meanwhile, at the European Union level, Hungary is one of the countries which has benefited most from start-up funds, known as Jeremie (Joint European resources for micro to medium enterprises), according to Imre Hild, from the accelerator iCatapult.

Some of the government's projects are still waiting for state funding, and for Hild, many of Hungary's start-ups will need to improve their work ethic to be successful.

But for Prezi's Arvai, the wheels have been set in motion already.

"A hundred years ago, Budapest looked like Paris, with a collection of Nobel prize winners and cafes. Then World War Two happened and the communist regime came along," he said.

"We are starting to see a noticeable release of creative energy again... There's just as much ambition and creativity here" as in other start-up hubs, he said.

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