Startup Barometer

Published November 23 2020

PMEit Coaching Service participant survey data

The Valley of Death

Today's edition of Startup Barometer is a little different from the usual, since the survey sample consists of companies that have participated in the coaching service for innovative and technological SMEs (PMEit, Petites et moyennes entreprises innovantes et technologiques).

Developed and implemented in collaboration with accelerators throughout Quebec and conducted by MAIN, the PMEit service aims to give startups at the commercialization stage access to intensive (250 to 400 hours) and accessible support, custom designed to meet their needs and to propel them quickly into the growth phase.

The first run of the PMEit service recently concluded. In total, 171 companies from 15 administrative regions of Quebec received more than 52,000 hours of coaching as part of the project thanks to assistance from one of the service's nine accelerators (Adopte Inc., Centech, CTS Santé, District 3, Espace-inc., Esplanade, FounderFuel, La Piscine, and LE CAMP). The PMEit has been financially supported by the Ministère de l'Économie et de l'Innovation since its inception.

134
participants

The data provided by the PMEit service's participants offers a rare, detailed portrait of Quebec startups that are at the initial stage of commercialization[1], highlighting the entrepreneurial motivations and the sociodemographic profiles of the people behind these companies, as well as the growth of their organizations.

This data also allows us to draw certain comparisons: Are Montreal-based companies and those in the rest of Quebec growing at the same pace? What about companies whose cofounders include women and members of visible minority groups? Or organizations that aim to have a social or environmental impact?

"If you can't measure it, you can't improve it," as the saying goes. This issue of Barometer aims to paint a first portrait of the companies supported by the PMEit service and to encourage greater diversity among future startups, in every sense of the term: region, impact, gender, origin, and age of team members.

[1] This portrait is influenced by the fact that all the companies in the sample received coaching. The observations made below cannot be generalized to the entirety of startups at the commercialization phase.

Highlights

48% of participating startups reported that their main unmet needs to accelerate their growth is financing,

and

47% said that they require support and access to expertise.

The three most common types of financing among startups are:

funding from public sources — **90%**

credit from financial institutions — **74%**

and personal funds — **68%**

The three types that represent the greatest amount of financing are:

public sources — **34%**

venture capital provider — **31%**

and angel investors — **14%**

Startups with at least one cofounder member of a visible minority group have on average annual sales figure

47%

lower than that of the companies without one.

The funding of startups with at least one cofounder member of a visible minority group is distributed among the different sources of funding

in a similar way than that of startups without one.

26% of startups have at least one woman among their cofounders.

66% of participating companies aim to have mainly a positive economic impact with their organization.

61% The average payroll of the startups in the sample increased by 61% from 2018 to 2019.

The average sales figure of regional startups is

55%

higher than of those based in Montreal.

However, the average funding received by Montreal companies is

33%

greater than that of regional organizations and Montreal startups have a higher number of cofounders with an immigrant background.

General overview of the sample

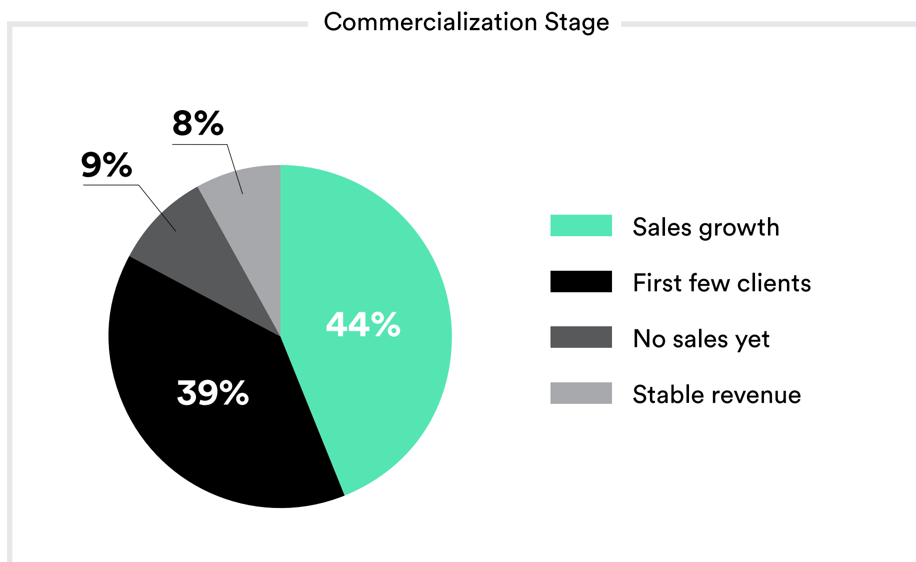
1

The PMEit service is geared towards startups that are beginning to grow, having brought their entrepreneurial project to fruition. Therefore, the sample is composed of companies that are in the commercialization phase:

First few clients → 39%

Sales growth → 44%

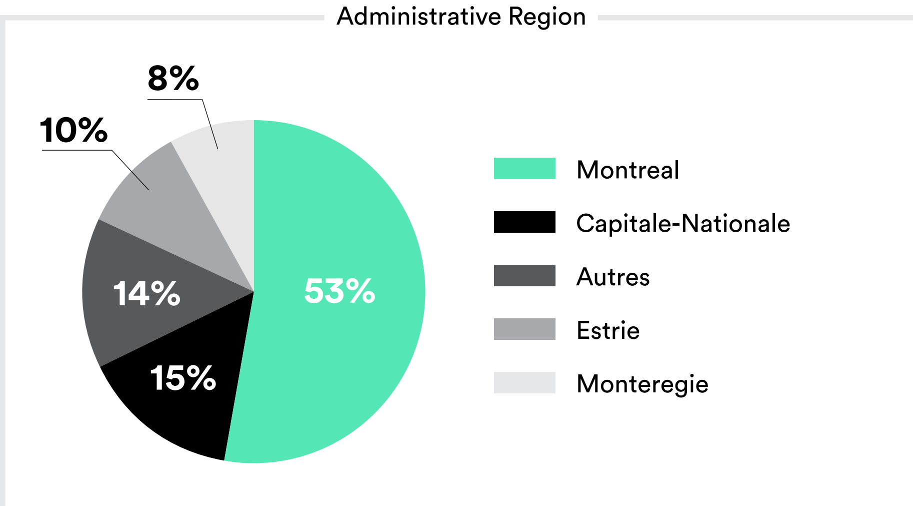
Consequently, this edition of Barometer seeks to highlight the specific situation of Quebec startups that currently find themselves in the infamous "valley of death".[2]



Based on the question: Which of the following best describes your organization's situation with regards to sales? (n=131)

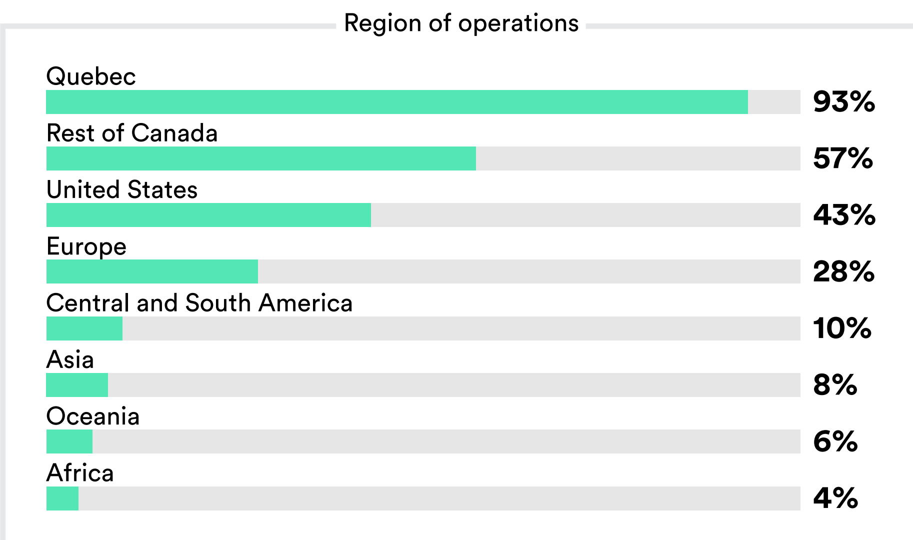
[2] The dangerous period in the life of a startup when it has begun operations but has yet to generate profits and is burning through its seed money.

Although more than half of the companies in the sample are based in Montreal (53%), there are a considerable number of them in the Capitale-Nationale (15%) and Estrie (10%) regions. Altogether, there are fifteen administrative regions represented among the PMEit service's participants.



Based on the question: In which administrative region is your head office located? (n=134)

The participating startups have operations mainly in North America, which makes sense for companies that are in the initial stage of commercialization.



Based on the question: In which regions do you operate? (n=333, more than one possible answer)

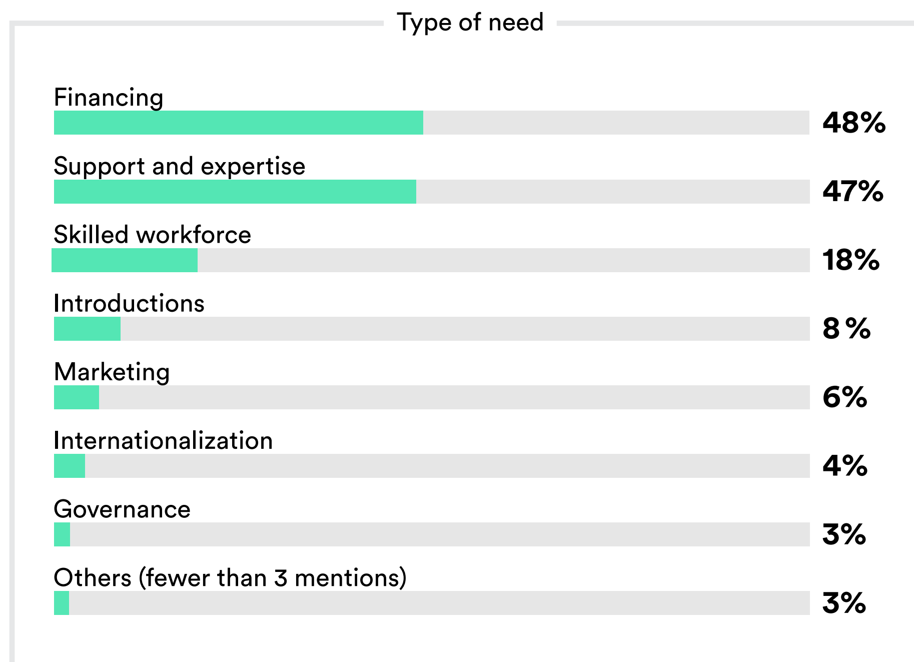
Primary unmet needs

48% of the participating startups indicated that their primary unmet need to accelerate their growth is financing.

13% are specifically seeking venture capital funding.

16% require funding in order to maintain their team and recruit employees.

The second greatest need for growth acceleration is access to support and expertise, with 47% of startups reporting this need.



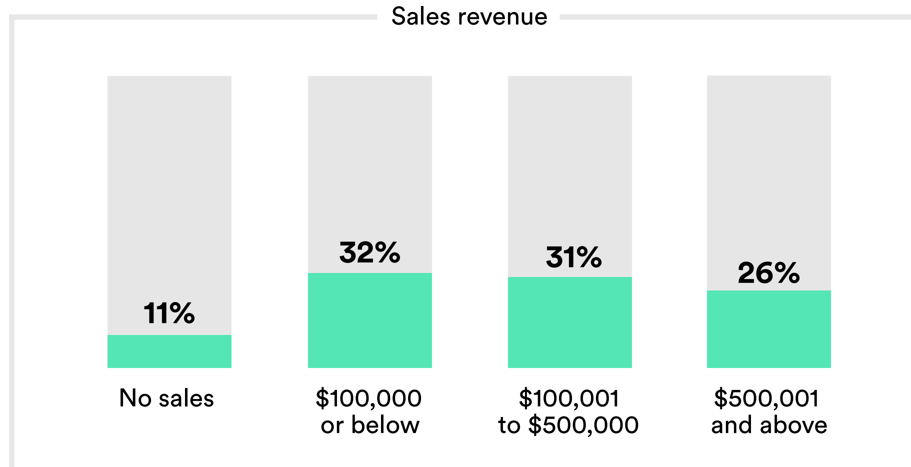
Based on the question: What are your main unmet needs to accelerate your growth? (n=79, more than one possible answer)

2

Financing, investment, and intellectual property

Revenues

43% of participating companies had sales figures of $100,000 or below for the 2019 calendar year.



Based on the question: What was your total revenue for the calendar year 2019? (in CAD) (n=131)

When comparing the average annual revenues of Montreal-based startups with those outside the city, regional startups appear to have an average revenue that is 55% higher.

Average revenue per startup

Total sample	Montreal	Outside Montreal
$383,884.38	$305,302.51	$474,060.30
N = 131	N = 70	N = 61

Based on the question: What was your total revenue for the calendar year 2019? (in CAD) (n=131) cross-referenced with: In which administrative region is your head office located?

Comparing average revenues by industry, the life sciences and advanced health sector has a lower average annual revenue in 2019 than the other four industries in the sample, and the consumer retail sector has a higher average annual revenue.

Digital media and telecommunications	$355,475.27	N = 51
Clean technologies	$373,005.59	N = 29
Life sciences and advanced health	$253,184.61	N = 23
Advanced materials & manufacturing	$502,962.81	N = 21
Consumer retail	$631,710.81	N = 21

Based on the question: What was your total revenue for the calendar year 2019? (in CAD) cross-referenced with: In which business sector(s) do you offer products and services?

2018-2019 revenue growth

The average revenue of the sample organizations increased by 45% from 2018 to 2019.

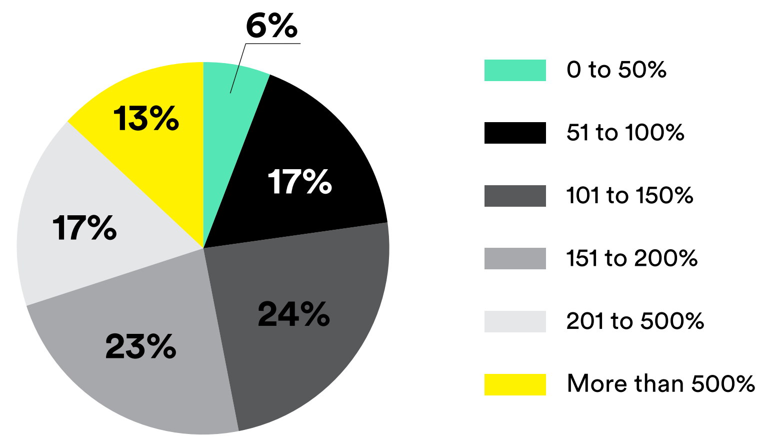
Average revenue per startup

2018	2019
$264,397.56	$383,884.38
N = 124	N = 131

Based on the question: What was your total revenue for the calendar year 2018, 2019? (in CAD) (n=131)

Altogether, 77% of startups increased their total revenue by more than 100%.

Percentage of increase in revenue 2018-2019



Based on the question: What was your total revenue for the calendar year 2018, 2019? (in CAD) (n=97)

Revenue growth for the five industries most represented in the PMEit service

When growth in total revenue is analysed by industry for the five industries most represented among the participating startups, the most common percentage of increase is from

151% to 200%

which is similar to that of the total distribution, except for the clean technologies sector.

For this sector, the most common increase in percentage lies somewhere between 51% and 100%.

Percentage of increase in revenue 2018-2019	Digital media and telecommunications (including digital applications and content, and information and communications technologie)	Clean technologies	Life sciences and advanced health	Advanced materials & manufacturing	Consumer retail
0 to 50%	3%	5%	14%	6%	6%
51 to 100%	15%	29%	7%	19%	18%
101 to 150%	21%	19%	21%	19%	12%
151 to 200%	23%	14%	21%	38%	41%
201 to 250%	5%	14%	7%	0%	0%
251 to 300%	3%	0%	0%	0%	0%
301 to 400%	5%	0%	0%	0%	6%
401 to 500%	8%	5%	14%	13%	12%
More than 500%	18%	14%	14%	6%	6%
N =	51	29	23	21	21

Based on the question: What was your total revenue for the calendar year 2019? (in CAD) cross-referenced with: In which business sector(s) do you offer products and services?

Financing

The startups in the PMEit service are receiving funding from various sources.

Access to funding sources

Capital from public sources,	credit from financial institutions	and personal funds
90%	74%	68%

are the three most common types of funding sources among the startups. The proportions for Montreal-based startups and those in other regions are essentially the same.

Which type(s) of funding have you received to date?

90% → **Public sources**
(e.g. federal/provincial/municipal loans, grants, subsidies, prizes and non-repayable contributions)

74% → **Credit from financial institutions**
(financing received from bank loans and similar products)

68% → **Personal financing used towards the business**
(includes personal loans, lines of credit, credit cards and personal savings of business owners)

45% → **Venture capital providers**

40% → **Capital from angel investors**
(e.g. individuals and groups unrelated to the business that provide financial backing and often advice)

34% → **Friends or relatives**

7% → **Crowdsourcing**

Amount received by funding source

Among the types of financing received by the sample startups, those that represent the greatest proportion of the total funding obtained are public sources (34%), venture capital providers (31%), and angel investors (14%).

The average amount of funding that startups have received in the form of venture capital is $1,106,372.05.

Type of financing	% of total funding	Total amount received	Average amount received per startup
Capital from public sources	34%	$72,247,939.00	$597,090.40
Capital from venture capital providers	31%	$66,382,323.00	$1,106,372.05
Capital from angel investors	14%	$30,788,961.00	$580,923.79
Credit from financial institutions	11%	$22,437,182.00	$226,638.20
Capital from friends or relatives	5%	$10,648,424.00	$231,487.48
Personal financing used towards the business	4%	$9,308,440.00	$102,290.55
Capital from crowdsourcing	1%	$1,805,000.00	$200,555.56
Total	100%	$213,618,269.00	N/A

Based on the question: How much funding of each type have you received to date? (n=483, more than one possible answer

The average financing received by Montreal-based companies is 33% higher than those of organizations in other regions.

Average financing per startup

Montreal	Outside Montréal
$1,840,953.47	$1,389,369.28
N = 70	N = 61

Based on the question: How much financing have you received to date, including all sources? (n=131) cross-referenced with: In which administrative region is your head office located?

Startups whose main objective is to have a social or environmental impact appear to receive less funding than those whose main objective is to have an economic impact.

Average financing per startup based on main type of positive impact

Economic impact	Social impact	Environmental impact
$1,792,080.55	$810,856.05	$1,525,331.06
N = 87	N = 19	N = 18

Based on the question: How much financing have you received to date, including all sources? cross-referenced with: Which is the main type of positive impact you're hoping to have? (n=124)

Intellectual property

35% of participating startups have already filed a patent application.

The startups in industries with the highest representation in the PMEit service are above this average, except for those in digital media and telecommunications, only 24% of which have applied for a patent.

20% of the patents the companies have applied for in 2019 have been granted. This figure is higher for the startups in the consumer retail sector (29%).

Percentage of startups having applied for a patent among the top industries represented in the PMEit Coaching Service

Sample total	Digital media and telecommunications	Clean technologies
35%	24%	45%
Life sciences and advanced health	**Advanced materials & manufacturing**	**Consumer retail**
52%	52%	43%

Based on the question: Have you filed patent applications? (more than one possible answer) cross-referenced with: In which business sector(s) do you offer products and services?

Number of patents applied for and granted among the top industries represented in the PMEit service in 2019

Sample total	Digital media and telecommunications	Clean technologies
56 patents applied	**12** patents applied	**20** patents applied
20% patents granted	**17%** patents granted	**25%** patents granted
n = 134 startups	**n = 51** startups	**n = 29** startups

Life sciences and advanced health	Advanced materials and manufacturing	Consumer retail
12 patents applied	**18** patents applied	**7** patents applied
17% patents granted	**11%** patents granted	**29%** patents granted
n = 23 startups	**n = 21** startups	**n = 21** startups

Based on the questions: How many patent applications did you file in 2019? How many patents were you granted in 2019? Cross-referenced with: In which business sector(s) do you offer products and services? (n=145, more than one possible answer)

*Note: Patents that have not been granted have not necessarily been rejected but may still be pending.

56% of the startups that received venture capital funding and 64% of those that obtained financing from angel investors have filed at least one patent application, compared to 35% of the total sample.

Furthermore, 32% of startups that received funding from angel investors were granted patents in 2019, compared to 20% of the total sample.

Number of startups having applied for a patent

Total	Venture capital financing	Angel investor financing
47 startups	**30** startups	**28** startups
35% of startups	**56%** of startups	**64%** of startups

Based on the question: Have you filed patent applications? (more than one possible answer) cross-referenced with: Sample having received venture capital and angel investor financing. (n=98)

Number of patents that have been granted

Total	Venture capital financing	Angel investor financing
56 filed in 2019	**42** filed in 2019	**28** filed in 2019
20% granted in 2019	**21%** granted in 2019	**32%** granted in 2019
N = 134	**N = 54**	**N = 44**

How many patent applications did you file in 2019? How many patents were you granted in 2019? cross-referenced with: Sample having received venture capital and angel investor financing. (n=98)

Team

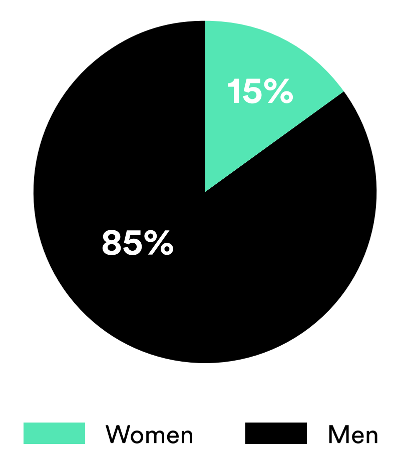
3

Cofounders

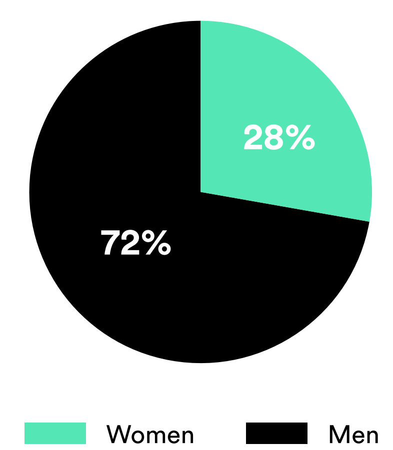
The startups in this sample have an average of two cofounders.

The vast majority of the participating startups' cofounders are young men who are not members of any visible minority group and, generally, this is their first experience as entrepreneurs.

Gender



Visible minorities



Based on the questions: How many of your cofounders are women? Which visible minority groups are represented among your cofounders? (n=298)

Age 39 or under → **65%**

First entrepreneurial project → **58%**

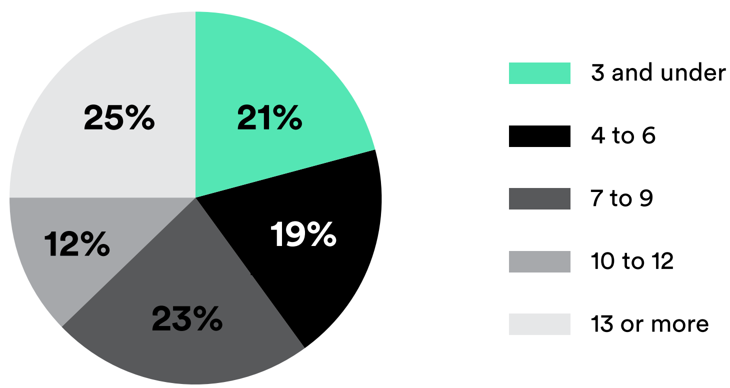
Based on the questions: How many of your cofounders are 39 years old or younger? For how many of your cofounders is this their first entrepreneurial project? (n=298)

Staff

On average, the startups have nine employees.

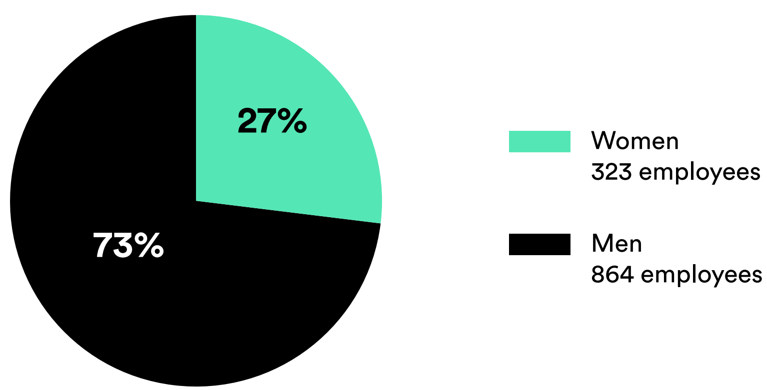
A quarter of participating organizations reported having a team of 13 employees or more, while 23% have teams of seven to nine employees. Among the participating startups, 27% of employees are women.

Number of employees



Based on the question: As of today, how many employees work for your organization (FTE, including cofounders)? (n=119)

Proportion of women in the employees

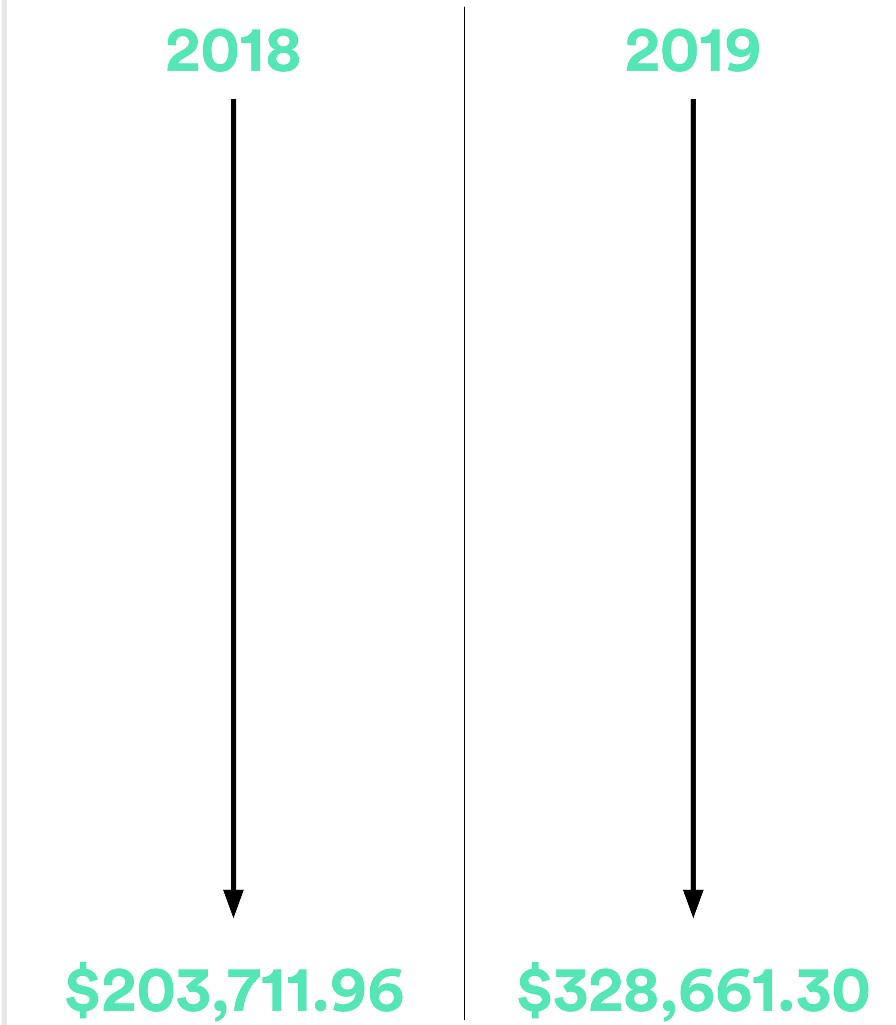


Based on the question: How many of your employees are women (FTE, including cofounders)? (n=1187)

Payroll

The average payroll for the startups in the sample has increased by 61% from 2018 to 2019.

Average payroll per startup



Based on the question: What was your total annual payroll for the calendar year 2018, 2019? (in CAD) (n=131)

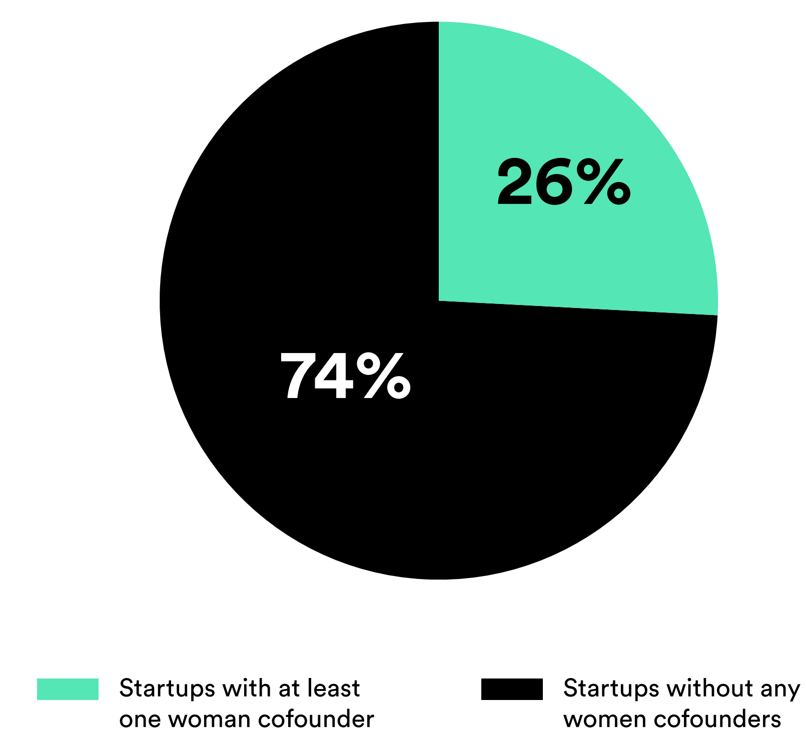
Inclusiveness and diversity

4

Women’s entrepreneurship

The Survey of the Startup Ecosystem in Quebec (French only) reported that, according to a survey of startup support actors conducted by MAIN (2019-2020), 24% of supported startups in Quebec were cofounded by at least one woman. Among the companies in the sample coached by the PMEit service, 26% have at least one woman cofounder.

Proportion of startups with women cofounder



Based on the question: How many of your cofounders are women? (n=134)

Visible minorities and immigration

Team

41% of participating startups have at least one cofounder that identifies as belonging to a visible minority group, and 34% of them have at least one cofounder that comes from an immigrant background

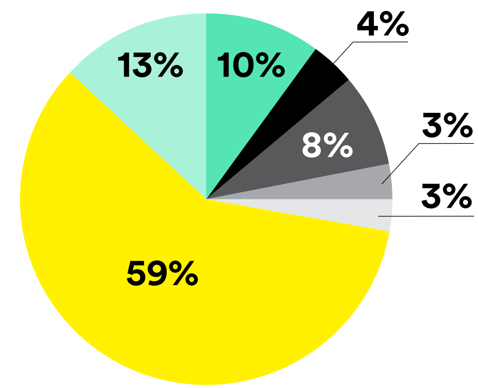
49% of Montreal's startups have at least one cofounder that identifies as an immigrant, compared to 14% outside of Montreal.

The minority group best represented among the sample organizations is Arab, with

10% of companies having at least one cofounder from the Arabian community.

There are no cofounders of Indigenous origin.

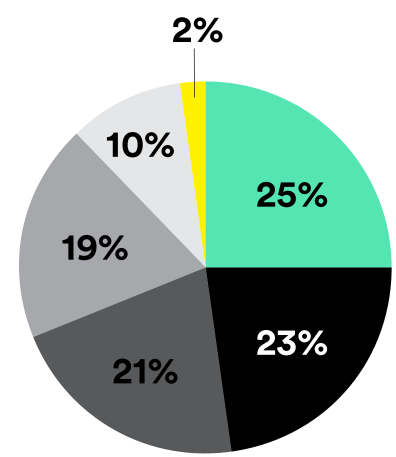
Which visible minorities are represented among your cofounders?



Based on the question: Which visible minorities are represented among your cofounders? (n=134)
*Startups that reported a different visible minority group or that did not respond

Among the startups that have at least one employee belonging to a visible minority group, 25% of them have at least one employee who is a member of the Arab community, while 23% of them have at least one employee who is a member of the Latin American community.

Which visible minorities are represented among your employees?



Based on the question: Which visible minorities are represented among your employees (FTE, including cofounders)? (N=121)

Revenues

Startups with at least one cofounder member of a visible minority group have on average annual sales figure 47% lower than that of the companies without one.

Revenue gap between startups with and without at least one cofounder member of a visible minority group

At least 1 cofounder member of a visible minority group	No cofounder members of a visible minority group
$229,297.82	**$431,335.65**
N = 34	**N = 80**

Based on the question: What was your total revenue for the calendar year 2019? (in CAD) cross-referenced with: Which visible minorities are represented among your cofounders? (n=114)

Financing

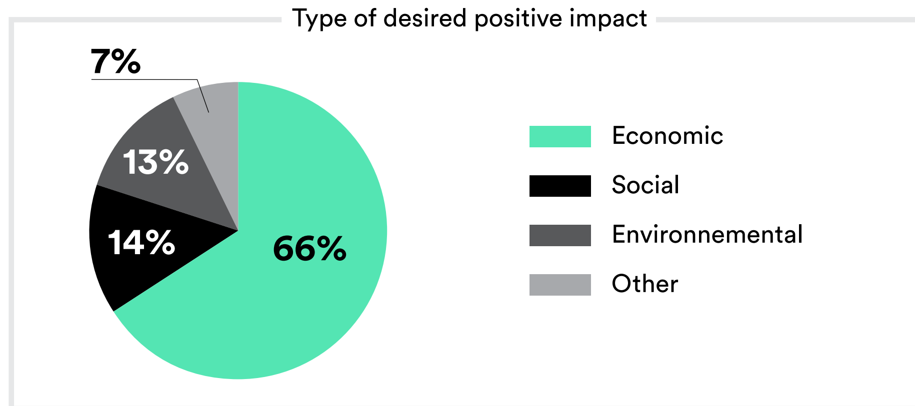
The funding of startups with at least one cofounder member of a visible minority group is distributed among the different sources of funding in a similar way than that of startups without one.

Purpose and impact

5

When surveyed about the main type of positive impact that they want their organization to have, more than half (66%) of participating companies aim to have a positive economic impact.

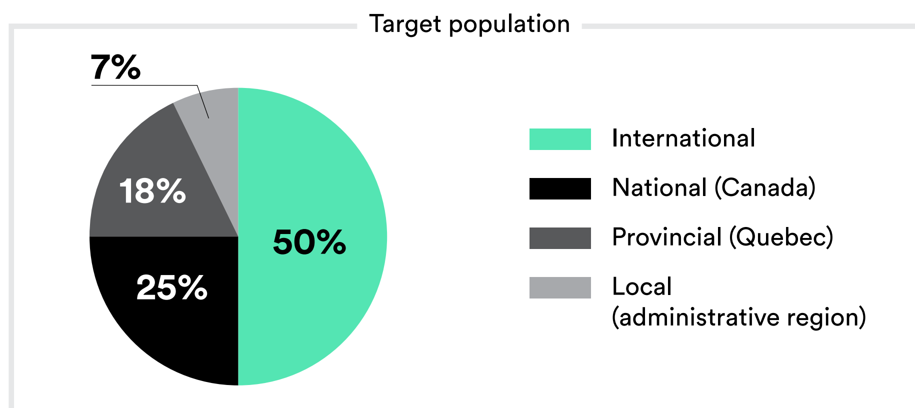
Only 14% of them aspire to have a social impact and 13% an environmental impact.



Based on the question: Which is the main type of positive impact you're hoping to have? (n=131)

Scope of impact

The PMEit service startups think big! Fifty percent of the participant organizations want to have an impact on the international population, while 25% are aiming for the national population.



Based on the question: Which population do you wish to primarily have this impact on? (n=129)

All the startups mainly seeking an economic impact have an international focus. Companies whose priority is a social or environmental impact are split among international, national, provincial, and local aims.

32% of startups startups looking to have a positive social impact are concerned with the national population and

21% with the provincial population.

These figures are fairly similar for the companies aiming for an environmental impact on a national level. However, half of the environmental organizations are geared towards an international population.

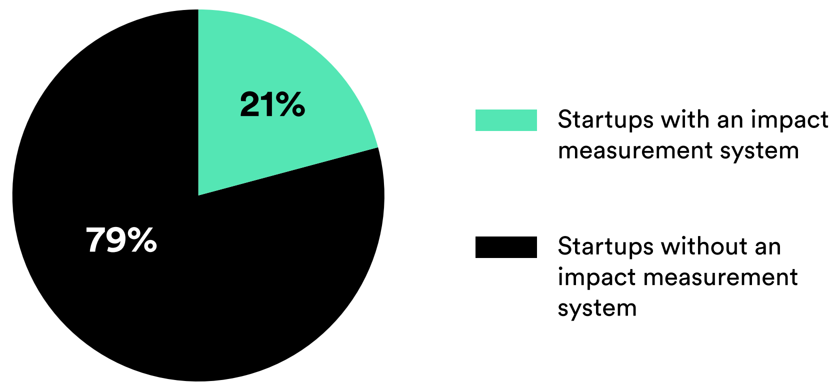
	Targeted type of impact		
Target population	Economic impact	Social impact	Environmental impact
International	100%	37%	50%
National (Canada)	0%	32%	33%
Provincial (Quebec)	0%	21%	11%
Local (administrative region)	0%	10%	6%
N =	89	19	18

Based on the question: Which population do you wish to primarily have this impact on? cross-referenced with: Which is the main type of positive impact you're hoping to have? (n=126)

Impact measures

Only 21% of the startups have an impact measurement system in place.

Impact measurement system in place



Based on the question: Do you have a system to measure and compile your social and/or environmental impact at the end of each year? (n=130)

The number of organizations whose main objective is to have an environmental impact is proportionally higher (33%) among the startups that measure their impact than those whose focus is economic or social.

Impact measurement system in place	Economic impact	Social impact	Environmental impact
Startups with an impact measurement system	18%	21%	33%
Startups without an impact measurement system	82%	79%	67%
N =	89	19	18

Based on the question Do you have a system to measure and compile your social and/or environmental impact at the end of each year? cross-referenced with: Which is the main type of positive impact you're hoping to have? (n=126)

Team

The cofounders of the participating startups seeking a positive social or environmental impact have a profile type similar to the one mentioned above.

However, there are more companies proportionally that have at least one woman cofounder among organizations whose main concern is to have a positive environmental impact (41%), compared to 28% of startups with an economic focus and 16% of those with a social objective.

Among companies aiming to have a social impact, only 26% have at least one cofounder with an immigrant background, compared to 36% of those seeking an economic impact and 35% of startups with an environmental focus.

The vast majority of the participating organizations have at least one cofounder aged 39 or under. However, startups with a social impact are most likely to have at least one young cofounder.

Immigrant background	Economic impact	Social impact	Environmental impact
Yes	36%	26%	35%
Gender			
Woman	28%	16%	41%
Age and entrepreneurial experience			
Aged 39 or under	76%	95%	82%
First entrepreneurial project	80%	68%	59%
N =	86	19	17

Based on the question: Which is the main type of positive impact you're hoping to have? (n=122) cross-referenced with: How many of your cofounders consider themselves immigrants to Canada? How many of your cofounders are women? How many of your cofounders are 39 years old or younger? For how many of your cofounders is this their first entrepreneurial project?

The Project

Startup Barometer was created in response to the need to understand how health and economic crises affect startups in Quebec. Analyses were published over five consecutive weeks beginning in late March 2020.

Now, Startup Barometer is taking the form of special quantitative analyses on specific topics. It remains an exceptional tool that allows for the assessment of startups in order to understand them better and to generate knowledge that will allow ecosystem actors to better support them and lead them down the path to success.

The Barometer aims to be representative and inclusive of all startups throughout Quebec and endeavours to provide a Quebec-wide view of the situation. It is often produced in partnership with actors from different areas, according to the topic it covers.

If you are interested in surveying startups in Quebec about a particular subject and you would like to contribute to the creation of knowledge for the ecosystem, please contact Akina Matsuo → akina@mainqc.com.

How to get involved

Share the questionnaire (English, French) throughout your network.

If you are a startup, please take a few minutes to answer the survey for the first time, and again with each new topic.

To receive the Barometer by email, subscribe here.

Acknowledgements

Special thanks to the startups that responded to the survey, incubators and accelerators, and all the other key partners who participated in data collection, as well as Sébastien Bibeau of Ton Équipier.

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Québec

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