

The Notion Cloud Challengers Report

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NOTION

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General Partner, Notion Capital

Welcome to Notion Capital’s very first ‘Cloud Challengers’ report that aims to identify the leading early stage Cloud companies across Europe.

Notion has teamed up with Rare Consulting, an independent research company, to develop a comprehensive methodology (much of which we use in our day-to-day work) to identify the top 100 early stage B2B Software and Cloud companies across Europe.

We define “early stage” as companies that have raised institutional money but have not yet reached meaningful scale – i.e. before raising a Series B or a total of \$20m in funding.

We focused this report on the early stage because we want to ‘skate to where the puck is going’: we believe these companies are an excellent proxy for where the market is heading, overall. We expect many of these start-ups to break out as category leaders and shape the future of the European Cloud market.

There is plenty of great research and news coverage available on the overall European Cloud services market and its more established players. However, we think the emerging stage receives far less of the coverage than it deserves – and that instructive insight can be gained. We have therefore taken the opportunity to dive into this stage in more detail.

We have tried to be both objective and transparent in our methodology (Kam will go over this in more detail, a little later in the report) and we are delighted with the results. The European SaaS / Cloud sector is in very good health and the companies discussed here, being at this ideal intersection of location and market segment, have an exciting future ahead of them.

I hope you enjoy the report.



Status Update: The European Cloud Challenger market



Author
Jos White
General Partner, Notion Capital

You probably don’t need me to tell you that the tech market is currently experiencing explosive growth based on almost any metric. Prior to 2021, the highest total ever achieved for VC funding world-wide was \$270bn, in 2018. In 2021, the market will surpass \$500bn for the first time.

The capital flowing into the market is creating billion-dollar companies (“unicorns”) at a pace we have never seen before. As recently as 2017 there were 141 unicorns globally. By September 2021 that number had reached 800, and it’s likely there will be more than 2,000 unicorns by the end of next year⁽⁰¹⁾.

So far, the global exit market is doing what it is supposed to do: providing liquidity. The global exit transaction value this year has reached \$1.3tr, with both M&A and IPO markets at record levels⁽⁰²⁾. The concern is whether the exit markets are able to keep pace with the liquidity demands of an ever-growing list of highly-valued private tech companies. In this scenario, valuations will inevitably come down and companies will be under more pressure to reach profitability.

In European B2B software and Cloud, the market in which Notion invests and the focus of this report, growth has been even more impressive. Over the last few years the European VC market has grown at almost twice the rate seen in the US; and will surpass \$80bn in total funds invested in 2021. Europe now has 184 unicorns, of which 18 are now “decacorns”, worth more than \$10bn⁽⁰³⁾. As recently as 2014, there wasn’t a single decacorn in Europe. Adyen is well on the way to becoming Europe’s first ever start-up to be worth over \$100bn – will that be called a centacorn?

There have been 209 ‘mega’ rounds of more than \$50m in Europe this year and it is clear from the research that it is these larger, outlier rounds that are having the greatest impact on the market, both in terms of funds raised but also driving up valuations.

In 2015, the Cloud represented only 12% of the global software industry, then valued at \$310bn⁽⁰⁴⁾. This year, the software industry is expected to reach \$600bn and the Cloud’s share will be 37% at \$224bn⁽⁰⁵⁾. We now forecast the Cloud to become the dominant form factor in the sector and to cross the 50%-threshold of the total market by 2023, progressing to 70% in 2025 at which point the total market will surpass \$1tr⁽⁰⁶⁾.

Cloud and B2B Software has been the fastest growing form factor for many years, but it is striking how its growth has been even further accelerated by the pandemic. Covid-19 forced businesses and their teams into the Cloud to do their work and acted as an adoption catalyst at a scale that no-one could have anticipated. It turns out that the SaaS delivery model, where a service is available and supported 24/7 and accessible from any device or location, is ideal for remote work scenarios.

So the intersection of Europe and Cloud is a very exciting and dynamic place to be right now. It feels like so much of the promise and potential of both the Cloud and of Europe’s talented tech ecosystem are converging; and the market is charging ahead at a blistering pace.

But there is a question on everyone’s lips: is it sustainable?

Our view is that there are strong and established drivers propelling the market forwards. There are, of course, the three cornerstones driving the super-cycle: mobile devices, ubiquitous WiFi and Cloud-based compute power. They have been further turbo-charged by Covid-19, partly through the accelerated adoption of all things Cloud in an attempt to continue to run our businesses and get on with our lives; but also thanks to the second-order effects of consumers having more time on their hands, money being very cheap to borrow (and in some countries simply handed out) and other industries and asset classes not presenting such an attractive place to invest money.

Our view is that the ‘Covid bounce’ is not sustainable and the market is overheated; but that the underlying drivers behind the phenomenal growth in the Cloud have more staying power. There will be no going back from the accelerated adoption we saw during worldwide lockdowns, so while there is definitely froth in the market, we don’t see underlying weakness.

When you consider the Top 100 list of emerging Cloud companies compiled here, you will no doubt wonder which of our selection will be the enduring, long-term success stories. This is the analytical work we perform day-in and day-out at Notion; and there’s no easy answer.

There are a few overarching trends that light up for us right now; that we believe are both relevant and future-facing. These include fintech, automation, virtual work and cybersecurity. We also believe that the best investment opportunities will address ‘greenfield’ as opposed to ‘brownfield’ markets, doing something fundamentally new and innovative, as opposed to only superficially new and derivative.

As always, a great deal also depends on the founders and the broader team. Does the team have the right stuff to build a really big business? Ambition, intelligence, fearlessness and being mission-driven are all attributes that we look for.

The companies in this Top 100 list represent the future of the European Cloud market. The first few dots have been connected – they are tracking on the right trajectory. It will be interesting to see how many of these companies emerge from challenger to leader status and make a lasting impact on their markets. We wish them all every success for the future.



➤ The ubiquity of mobile devices is one of the three main cornerstones driving the super-cycle of investments forward.

“There are, of course, the three cornerstones driving the super-cycle: mobile devices, ubiquitous WiFi and Cloud-based compute power.”

Jos White
General Partner, Notion Capital

Report methodology overview



Author
Kamil Mieczakowski
Principal, Notion Capital

The following criteria were used to establish which companies were eligible for this report:



European B2B Software Companies, founded post 2016

Covid-19 has unlocked the ability for a team to ‘work from anywhere’ more than ever before, making it harder to meaningfully geographically locate businesses. As such, we focused on two criteria to decide whether a business could be defined as ‘European’: where the majority of the workforce is based and the nationality of its founders.



Funding Profile

We focused on young, fast-growing businesses which have raised institutional funding but have not yet raised a Series B round. They had to have raised less than \$20m in total.

We looked at all types of B2B Cloud companies and business models. We included subscription, transaction and usage-based revenue models.

We relied exclusively on information available in the public domain; and we built our scoring formula around the following factors:

Founders and team

- Founders and composition of the executive team
- Founders’ previous experience; including companies they’ve previously worked for, educational institutions and their relevance to the project
- Whether they have founded successful companies in the past
- Whether they are able to attract top talent to the business
- Overall headcount growth

Fundraising journey

- Strength of the investor syndicate
- Whether the company has been able to attract smart capital that will reliably support the business on its onward journey
- Funding velocity (the amount of capital raised within a timeframe)

Social proof

- Market adoption
- Product reviews on websites such as G2 Crowd and Capterra
- General sentiment from user communities

Keep reading to see who made it into our top 100 list!

The actual B2B Software 100 list

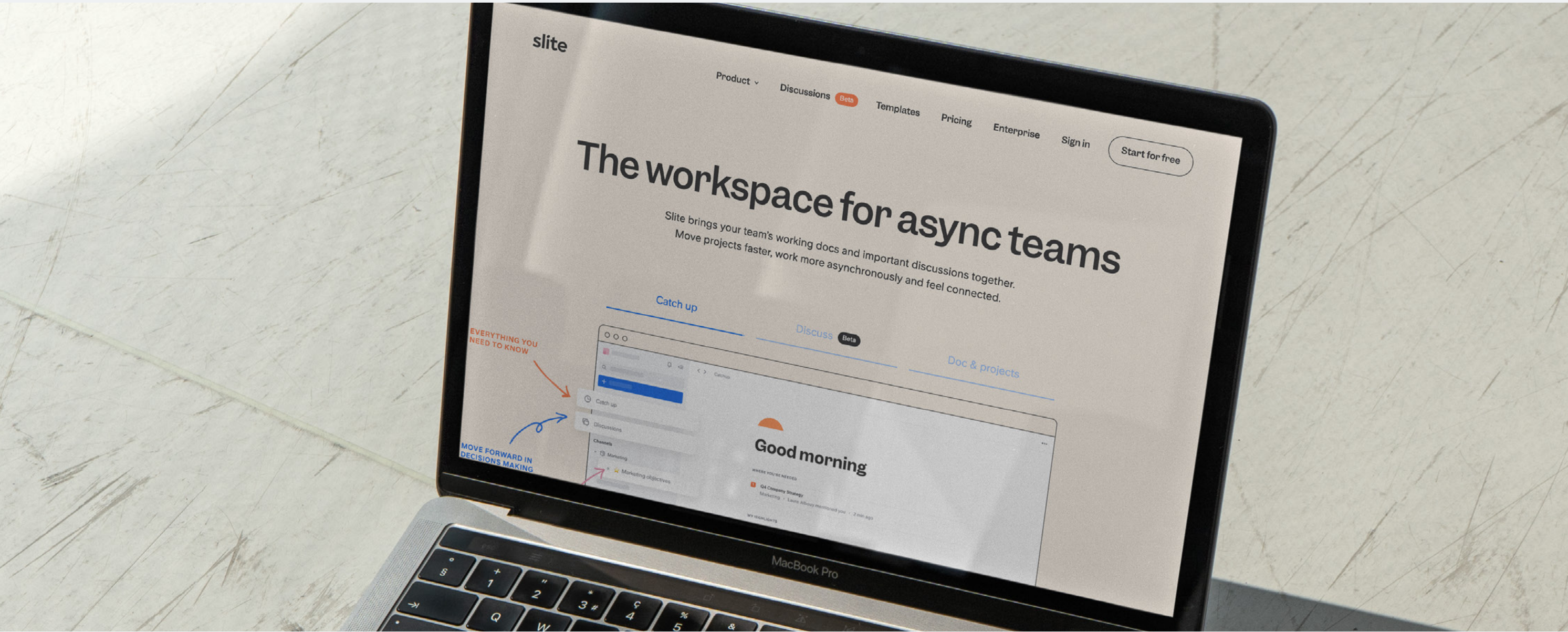
001.

Slite
slite.com

Collaboration software platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$13.7m

As modern businesses embrace async collaboration, Slite is providing them with a platform making it possible in practice. The platform is loved by its users with 5 star reviews across ProductHunt, G2Crowd and Capterra, and despite only being founded in late 2017 it has already raised 2 rounds of funding from leading global investors: Index Ventures and Spark Capital having started its life at YC. The business is led by a serial founder Christophe Pasquier and it has 40 FTEs having doubled its employee base in the last 12 months.



Author
[Kamil Mieczkowski](#)
[Principal, Notion Capital](#)

002. Wonder
wonder.me

Virtual gatherings online.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$9.8m



003. Forest Admin
forestadmin.com

Publisher of a universal administration interface.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$11.1m



004. Sana Labs
sanalabs.com

AI-driven learning for enterprise.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$18.7m



005. Demodesk
demodesk.com

A meeting platform for remote sales and success teams.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$9.6m



006. Strapi
strapi.io

Open-source headless CMS to manage and distribute content.

CATEGORY	Cloud Computing
TOTAL RAISED	\$12.7m



007. Workvivo
workvivo.com

Internal communication and engagement platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$14.6m



008. Upvest
upvest.co

One investment API, to build any investment experience

CATEGORY	Future of Finance
TOTAL RAISED	\$16.9m



009. Flux
tryflux.com

Cashback API.

CATEGORY	Future of Finance
TOTAL RAISED	\$8.3m



010. Katana
katanamrp.com

Smart manufacturing and inventory software for direct to consumer businesses.

CATEGORY	Industry OS
TOTAL RAISED	\$13.1m



011. Foxintelligence

foxintelligence.fr

Transaction-based market intelligence.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$14.5m

014. Schüttflix

schuettflix.de

Bulk goods ordering for construction.

CATEGORY	Industry OS
TOTAL RAISED	\$65.7mm

017. Alasco

alasco.de

Construction planning and execution management.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$9.5m

012. Alsid

alsid.com

Helps companies secure their active directory infrastructures through prevention and monitoring.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$14m

015. Abacum

abacum.io

Collaborative FP&A software for tech finance teams.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$6.4m

018. AccuRx

accurx.com

Primary care management software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$10.6m

013. Inato

inato.com

AI-powered patient recruitment.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$14m

016. Forecast

forecast.app

Project management software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$16m

019. Synthesia

synthesia.io

AI-driven video generation.

CATEGORY	Cloud Computing
TOTAL RAISED	\$14.2m

020. Klaus
klausapp.com

Q&A for the customer service teams.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$6.6m

023. Lenses.io
lenses.io

DataOps platform for Apache Kafka and Kubernetes.

CATEGORY	Cloud Computing
TOTAL RAISED	\$6.8m

026. Doctorly
doctorly.de

Practice management software for medical professionals.

CATEGORY	Industry OS
TOTAL RAISED	\$0.2m

021. Shipamax
shipamax.com

Supply chain traceability and automation.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$8.9m

024. PlayPlay
playplay.com

Cloud-based video editor.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$10m

027. Butter
butter.us

Video conferencing software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$6m

022. Spacelift
spacelift.io

A continuous integration and deployment (CI/CD) platform for infra-as-code.

CATEGORY	Cloud Computing
TOTAL RAISED	\$6.9m

025. Flatfair
flatfair.co.uk

Deposit free renting.

CATEGORY	Future of Finance
TOTAL RAISED	\$11.6m

028. Cosmos Video
cosmos.video

A virtual venues platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.9m

029. Riff
getriff.co

Voice collaboration for remote teams.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.2m

032. Once
once.app

Mobile-first storefront.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$0.2m

035. Silverflow
silverflow.co

Payment processing software.

CATEGORY	Future of Finance
TOTAL RAISED	\$2.6m

030. Daybridge
daybridge.com

Calendar software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.4m

033. Happeo
happeo.com

A digital workplace and collaboration platform with a social intranet.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$18.2m

036. Novoic
novoic.com

AI algorithms to decode complex speech alterations.

CATEGORY	Cloud Computing
TOTAL RAISED	\$2.4m

031. Heron Data
herondata.io

Transaction data analysis.

CATEGORY	Future of Finance
TOTAL RAISED	\$0.9m

034. Salv
salv.com

AML technology.

CATEGORY	Future of Finance
TOTAL RAISED	\$3.5m

037. Contingent
contingent.ai

The intelligence platform for procurement, compliance, and operational resilience.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.2m

038. Unitary
unitary.ai

Computer vision models to understand online content.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.5m

041. Otta
otta.com

Recruitment platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1m

044. SLAMcore
slamcore.com

Localisation and mapping algorithms for AR/VR systems.

CATEGORY	Cloud Computing
TOTAL RAISED	\$11.4m

039. Stotles
stotles.com

Public sector sales platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.5m

042. PhotoRoom
photoroom.com

Photo editing software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$0.2m

045. Mavenoid
mavenoid.com

Troubleshooting solution for customer service.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$9.9m

040. QantEv
qantev.com

Health claims platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.5m

043. HeyJobs
heyjobs.co

Blue collar recruitment marketplace.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$0.4m

046. Vinehealth
vinehealth.ai

Digital platform leveraging data science and behavioural science to optimise oncology outcomes

CATEGORY	Modern Enterprise
TOTAL RAISED	\$10m

047. Coherence

coherence.io

An open, accessible and lightning-fast Cloud platform for building scalable and persistent virtual worlds.

CATEGORY	Cloud Computing
TOTAL RAISED	\$9.1m

050. AMMP Technologies

amp.io

Remote monitoring for energy companies.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.1m

053. Flowlity

flowlity.com

Supply Chain synchronisation platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.2m

048. Sonantic

sonantic.io

Hyper-realistic artificial voices.

CATEGORY	Cloud Computing
TOTAL RAISED	\$9m

051. Outfunnel

outfunnel.com

Marketing automation tool.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2m

054. Panion

panion.com

Community management platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.1m

049. Remberg

remberg.de

Asset-Relationship-Management System.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.7m

052. SpaceFill

spacefill.fr

On-demand warehousing marketplace.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.2m

055. Openli

openli.com

Data management platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1m

056. Sourceful
sourceful.io

Sourcing and supply chain platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1m

057. Foundries.io
foundries.io

Secure over-the-air updatable software platforms for IoT and Edge devices.

CATEGORY	Cloud Computing
TOTAL RAISED	\$3.2m

058. Agamon
agamonhealth.com

Data management for the healthcare industry.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$3.1m

059. Stacker
stacker.app

No code software development platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.9m

060. Legal OS
legalos.io

Automation platform for the legal industry.

CATEGORY	Industry OS
TOTAL RAISED	\$2m

061. ChAI
chai-uk.com

Commodity market analysis software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.7m

062. Veratrak
veratrak.com

Digitising the pharmaceutical supply chain.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.4m

063. Kiroku
trykiroku.com

Speech to notes software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.4m

064. Covee
covee.network

Blockchain-based collaboration platform.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.4m

065. Octeract

octeract.com

Optimisation software for HPC.

CATEGORY	Modern Enterprise
TOTAL RAISED	Unknown

066. Modulz

modulz.app

A visual code editor for designing and building digital products.

CATEGORY	Cloud Computing
TOTAL RAISED	\$0.1m

067. SeedLegals

seedlegals.com

Legal management for startups.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$4.9m

068. Flexciton

flexciton.com

Optimisation technology to transform manufacturing operations.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$4.5m

069. 7Bridges

the7bridges.com

Logistics operations and planning software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$3.6m

070. Awell

awellhealth.com

Care pathways automation.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$3.1m

071. Sancare

sancare.fr

Healthcare operations management.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.3m

072. Briq

givebriq.com

Employee engagement software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2m

073. Receeve

receeve.com

Debt management software.

CATEGORY	Future of Finance
TOTAL RAISED	\$13.3m

074. Dimpl
dimpl.io

Invoice insurance.

CATEGORY	Future of Finance
TOTAL RAISED	\$1.8m

075. Supernormal
supernormal.com

Video conferencing productivity software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2m

076. Gleamer
gleamer.ai

AI-powered software to enhance radiologists’ productivity.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$10.5m

077. Greyparrot
greyparrot.ai

Waste management software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$10.5m

078. Everstox
everstox.com

Data-driven fulfillment services.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$3.5m

079. Platypus
platypus.io

Employee culture analysis software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$3m

080. QuestDB
questdb.io

Open-source SQL database designed to process time-series data faster.

CATEGORY	Cloud Computing
TOTAL RAISED	\$2.3m

081. Purple Dot
purpledotprice.com

Waitlisting platform for e-commerce.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.1m

082. Flown
flown.com

Workspaces for knowledge workers.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.6m

083. Sentinel

thesentinel.ai

Deepfakes and information warfare detection software.

CATEGORY	Cloud Computing
TOTAL RAISED	\$1.4m

086. Depict.ai

depict.ai

AI recommendations for e-commerce.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1m

089. Abzu

abzu.ai

Explainable AI for life science.

CATEGORY	Cloud Computing
TOTAL RAISED	\$3m

084. Fronted

fronted.rent

Rental deposits solution.

CATEGORY	Future of Finance
TOTAL RAISED	\$1.2m

087. Lazy Lantern

lazylantern.com

Alerting software for operations teams.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$0.2m

090. Avo

avo.app

Product analytics software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.9m

085. Lizee

lizee.co

Rental and resale solutions for retailers.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.2m

088. Zerolens

zerolens.com

A virtual photo studio.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$0.2m

091. V7

v7labs.com

ML-ops for computer vision.

CATEGORY	Cloud Computing
TOTAL RAISED	\$2.7m

092. Cobee

cobee.io

Management solution for benefits and flexible compensation of employees.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.3m

093. Mimica

mimica.ai

ML solutions to accelerate the deployment of process automation.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.5m

094. Insurami

insurami.com

Deposit guarantees for commercial real estate.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1.2m

095. Hi.health

hi.health

A health platform that acts as an intermediary between customers of private health insurance companies.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$1m

096. Qualis Flow

qualisflow.com

Construction site management.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$0.8m

097. Nodes & Links

nodeslinks.com

Project management software.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$9.3m

098. Metaview

metaview.app

Conversation analytics.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$7.6m

099. Zeuz

zeuz.io

Gameserver as a service for game developers.

CATEGORY	Cloud Computing
TOTAL RAISED	\$3m

100. Paid

paid.co.uk

Payments simplified for small businesses.

CATEGORY	Modern Enterprise
TOTAL RAISED	\$2.6m

The drivers of success: what makes a top 100 performer in 2021?



Author
[Stephanie Opdam](#)
[Principal, Notion Capital](#)

What explains the success of Europe’s fastest growing Cloud companies? To answer this, we have explored their underlying business models to help paint a picture of the success factors for 2021’s stellar Cloud Challengers.

HR/employee collaboration tools scored highly in 2021, which is no surprise. We’ve seen a continuous evolution of HR software and its adoption in the start-up ecosystem, as it’s become increasingly relevant to every size of organisation, in every industry. At Notion Capital, HR Tech is a core area of investment

for us: we invested in Workable (the applicant tracking system that evolved into a full recruiting system) in 2015, HeyJobs (a talent acquisition platform that replaces the world of ‘post & pray’) in 2018 and TestGorilla (pre-employment screening tests) in 2021. It will continue to be a priority sector for our team.

The top 100 list is weighted towards the wider ‘HR software’ space. This is driven by four management priorities:



Helping formerly office-based workers to collaborate remotely / from home; e.g. [Slite](#), asynchronous collaboration (#1) and [Wonder](#), virtual spaces (#2)



Preservation and cohesion of culture across the organisation, e.g. [Cosmos Video](#), virtual hangouts (#28)



Keeping an entire workforce up-to-date, e.g. [Workvivo](#), engagement and communication (#7) and [Happeo](#), social intranet (#33)



The war for talent driving recruitment practices and continuous learning e.g. [Sana Labs](#), personalised, collaborative learning (#4) and [Otta](#), hyperpersonalised job searches in tech (#41)

➤ FoxIntelligence are an example of a company who are automating data acquisition and preprocessing of insights.

Other strong sectors

Although HR/employee collaboration tools dominate the rankings, two further sectors are well represented: Big Data and DevOps.

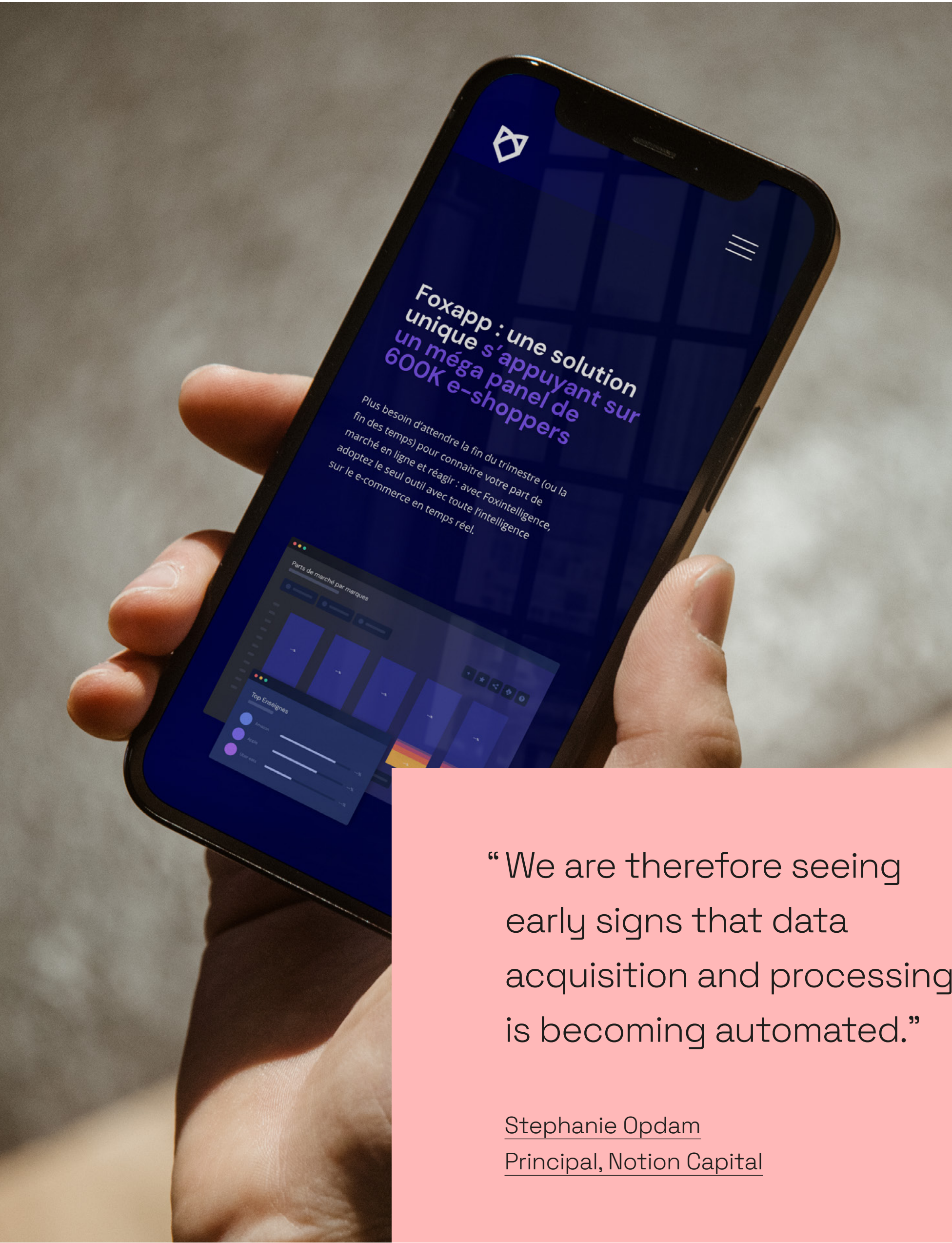
Big Data start-ups try to make sense of, and money from, the increasingly large data sets thrown up by our digital lives. For example, as ever more business has shifted online (again, accelerated by Covid-19), ecommerce analytics became of growing importance in 2021. Although acquisition of new data has increased, the scope and nature of that data is often limited (e.g. due to GDPR compliance). We are therefore seeing early signs that data acquisition and processing is becoming automated. [FoxIntelligence](#) (#11), for example, builds large consumer panels and creates granular insights on online buying behaviour.

Some databases have become complicated black boxes which are hard to connect, assimilate and interpret. [Forest Admin](#) (#3) tackles this through bespoke connectors and an admin interface. We also expect to deal with a continued shortage of

data scientists in the coming years as the demand for their skills will only increase. Therefore, tools which make data scientists more productive or mitigate their lower-level data wrangling work will be a growing market going forward. Hence we see [Lenses.io](#) (#23) and [Abzu](#) (#89) on our list.

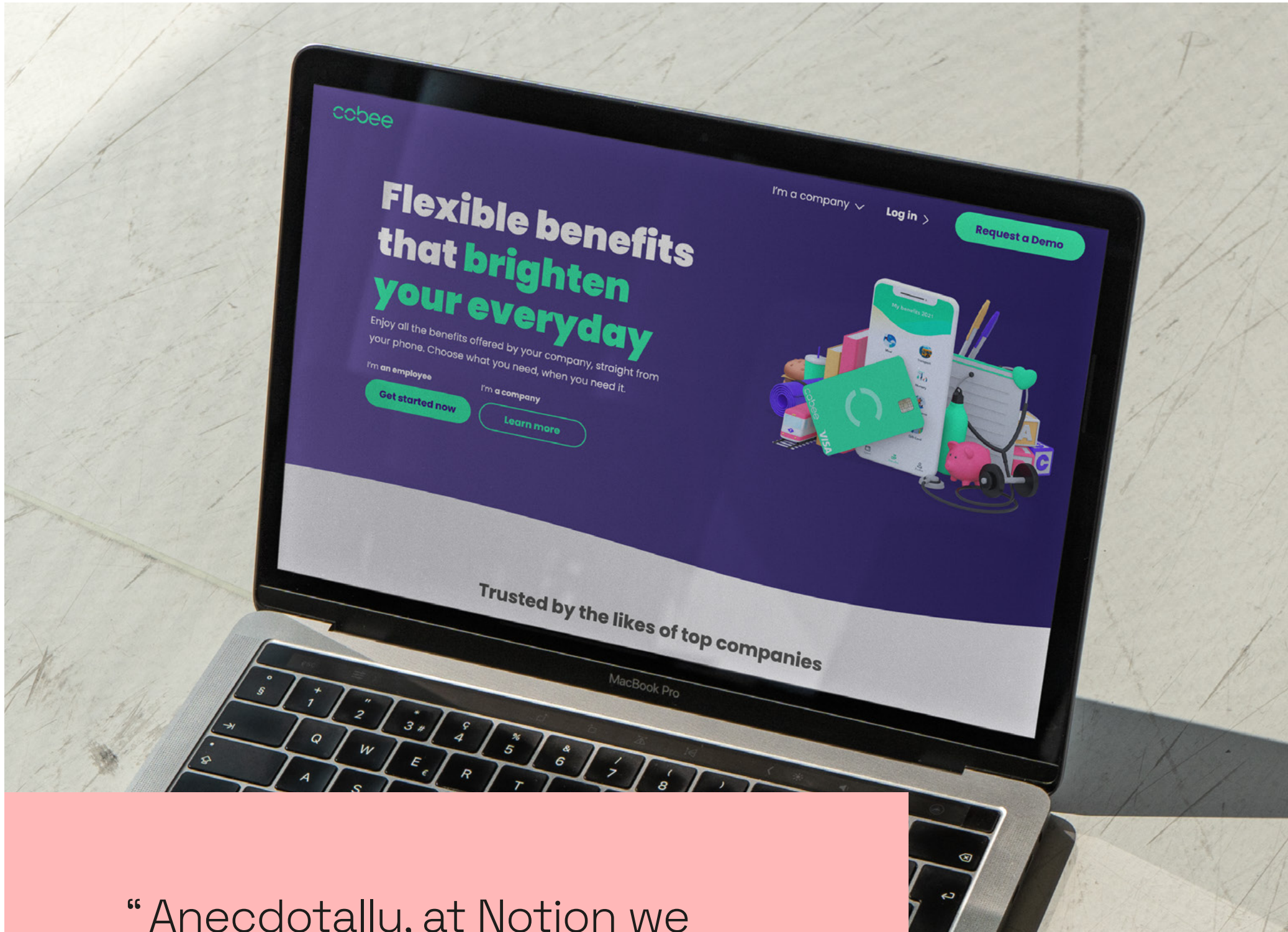
DevOps tools and techniques, meanwhile, increase a company’s ability to deliver tech at higher velocity. [Spacelift](#) (#22), for example, helps customers to manage their burgeoning tech infrastructure. And [Foundries](#) (#57) allows customers to make better use of their IoT/edge devices by turning them into fully-flexible operating machines. Such devices used to come with pre-installed firmware written in a low-level language and hence were effectively hard-wired. Foundries allows developers to deploy code continuously and build multiple applications onto a single chip.

Healthcare start-ups also see strong growth this year - but more on that later in this report.



“We are therefore seeing early signs that data acquisition and processing is becoming automated.”

[Stephanie Opdam](#)
Principal, [Notion Capital](#)



“Anecdotally, at Notion we are seeing FinTech functions becoming unbundled and added natively to software offerings instead.”

Stephanie Opdam
Principal, Notion Capital

↖ Cobee are an example of a company who are adding FinTech functions natively to their software offerings

Who’s missing?

Largely missing from the top 100 are the B2B FinTech start-ups, barring a few notable exceptions. Anecdotally, at Notion we are seeing FinTech functions becoming unbundled and added natively to software offerings instead. For example, [Cobee](#) (#92) makes corporate spending cards an integrated part of its employee benefit portal. Many of our top 100 are specialist B2B services which make the lives of professionals in their niche easier; it is easy to imagine commercial finance functions like invoice financing, specialist loans, insurance and grant/tax exemption applications being integrated into these platforms.

Those ‘embedded’ financial services are, of course, also a strong new revenue stream to run alongside the traditional SaaS subscription. It’s a powerful model, and as traditional SaaS companies become SaaS/FinTech hybrids, there may be less room for ‘traditional’ fintech players.

Taking ‘FinTech as a service’ to its natural conclusion, we think further new start-ups will be created as a FinTech infrastructure layer to serve these new business models. [Upvest](#) (#8), for example, provides an Investment API that enables businesses to build great investment experiences, tailored to their customers’ needs - seamless, secure, and across international borders.

FinTech is clearly in flux; but we expect to see a resurgence in FinTech players on this list. For now, the sector is on the brink of its next evolution.

If Covid was the #1 news story of 2021, with effects felt across B2B healthcare, big data and the world of work, the #2 story was the environment. There is continued media attention on the corporate world and its duty to measure and deliver on ESG goals (e.g. through reducing its carbon footprint).

Bubbling under ESG in the media, thanks to a steady stream of stories about either a lack of adequate regulation or yet another multi-million-record theft of digital identities, are compliance and cybersecurity.

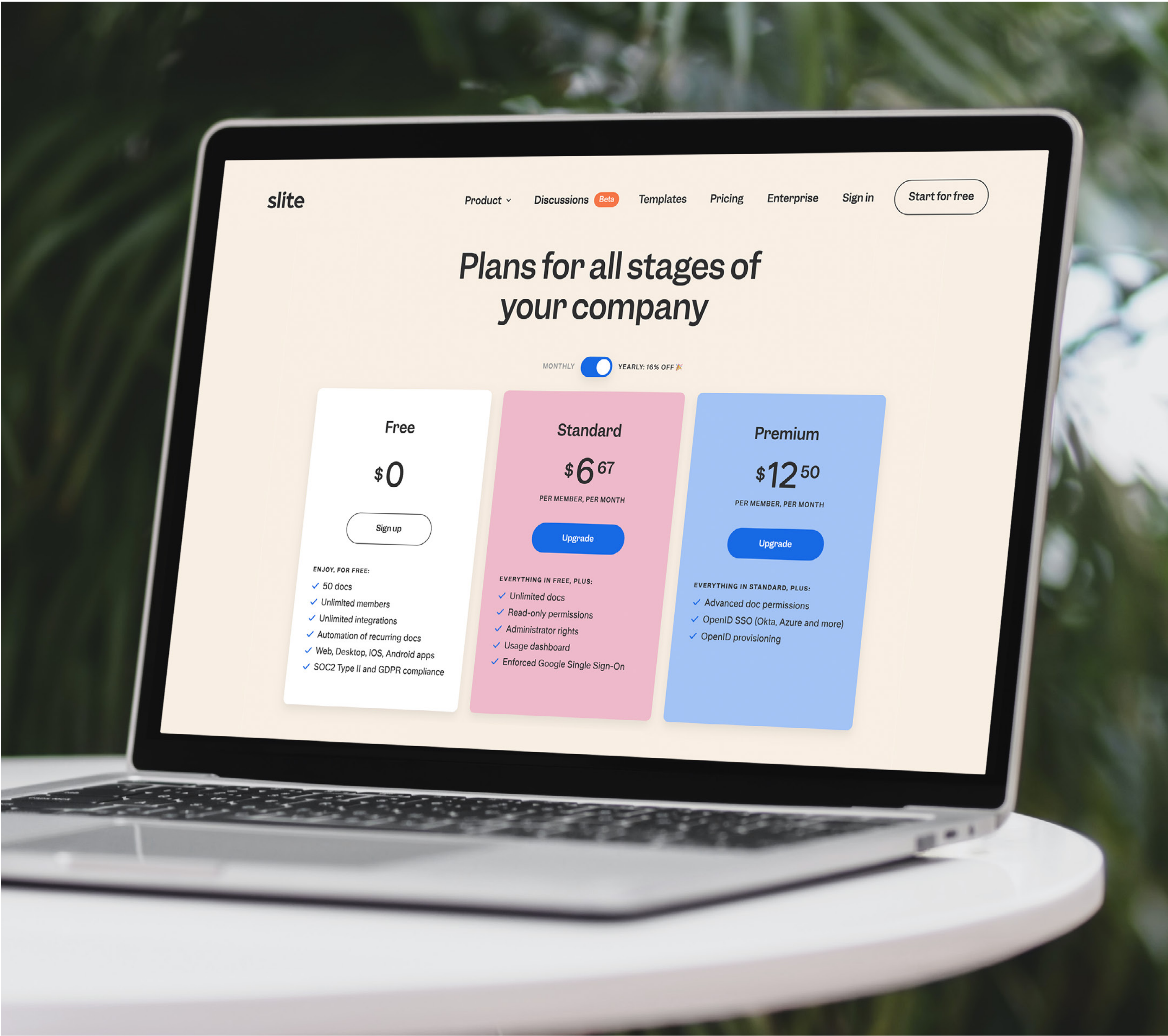
Remarkably, both ESG/impact and compliance are underrepresented in our top 100 list. Many start-ups in these areas have only been founded in recent years and we expect them to take a greater share of attention in future editions of the Cloud Challenger report.

Business model

Most start-ups in the top 100 still operate a classic SaaS subscription model. But there are some subtle evolutions becoming apparent. Annual (corporate) subscriptions are being replaced with monthly commitments, with a free tier or trial period becoming standard.

Conferences and outbound sales phone calls have reduced in effectiveness. Therefore, start-ups have increasingly turned to product-led growth (PLG) in order to build up market share. For this to work effectively, the product must be strongly differentiated in the market and the ideal customer profile and use cases clearly explained on the website (see [Strapi](#), #6). Even then, there is an ongoing war for eyeballs with SEO driving most growth for PLG companies.

Not yet evident in the data, but becoming increasingly important, is for software companies to create additional non-linear growth drivers. This includes developing supplementary revenue streams on top of the expected fixed monthly payments. [Synthesia](#) (#19), for example, applies a mixed model with usage-based pricing tiers for SMB customers against a per seat/per module approach for larger corporate clients. Usage-based pricing is also taking off. It’s particularly common in FinTech start-ups (e.g. [Upvest](#) charges per trade or by AUM), but we see usage based models rapidly spilling over into other sectors. [HeyJobs](#) (#43), for example, allows customers to determine a budget per role.



2021’s Value Driver: efficiency

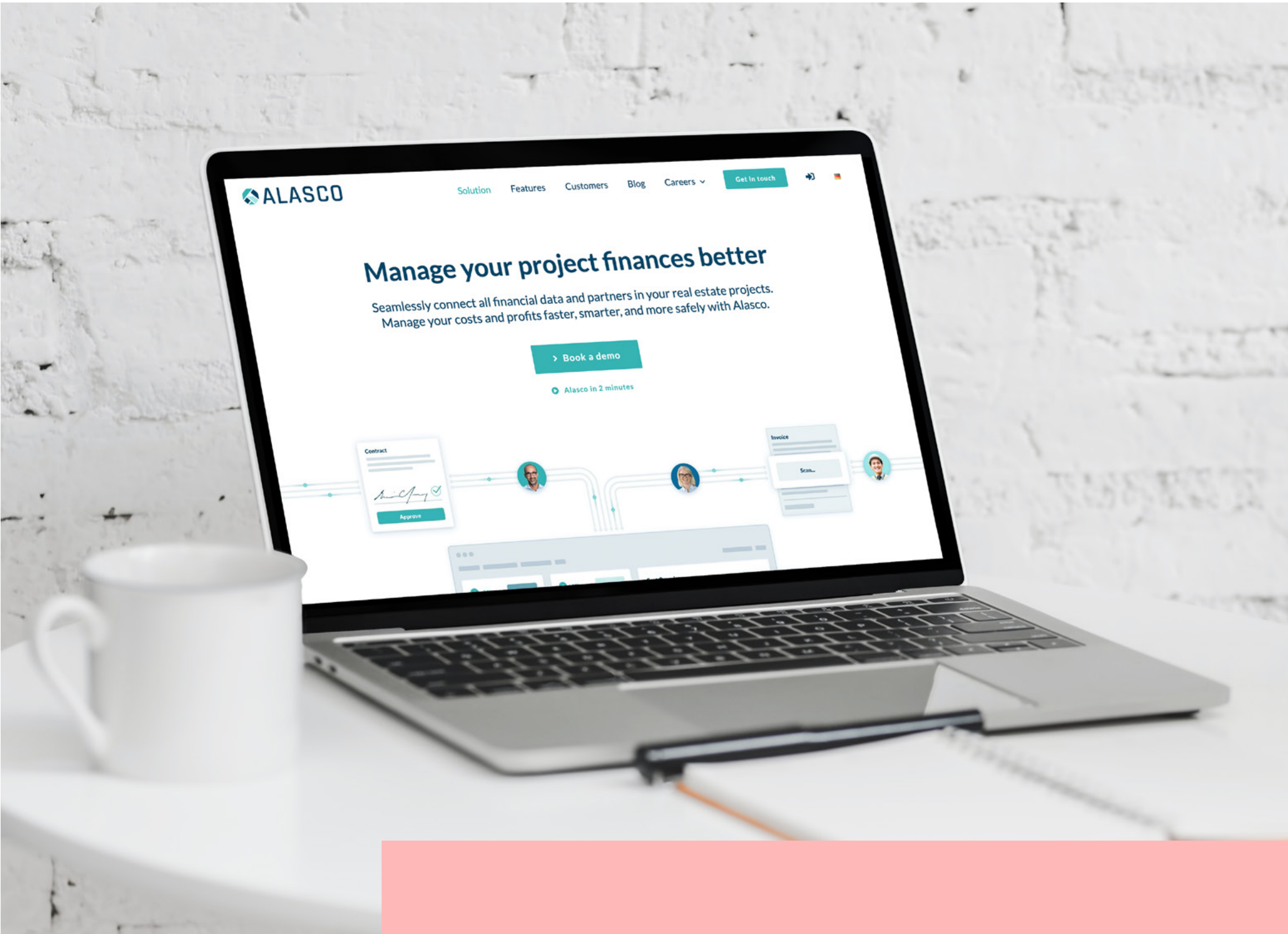
To our surprise as a VC, the majority of start-ups listed in our top 100 have a value proposition based on driving operational efficiency, which in turn results in time and cost savings – i.e. doing more with less. This is interesting for two reasons:

- Unlike an increase in revenue, there is a natural limit on the gains which can be obtained from savings (cost of delivery cannot get past – or even approach – zero)
- Customers will always assess the savings achieved as a trade off against the cost of the software itself

The focus on operational efficiency vs. revenue growth is explained by the covid/post-covid reality in which we find ourselves. In 2020, most businesses (the customers of B2B start-ups) reduced costs in the face of the impending crisis. As we emerge from Covid into a world of opportunity but also continued unpredictability, they continue to look for opportunities to do more

with less. In many cases, office-based workers have stayed home, corporate budgets have been frozen and in the face of “The Great Resignation”, talented workers remain in short supply.

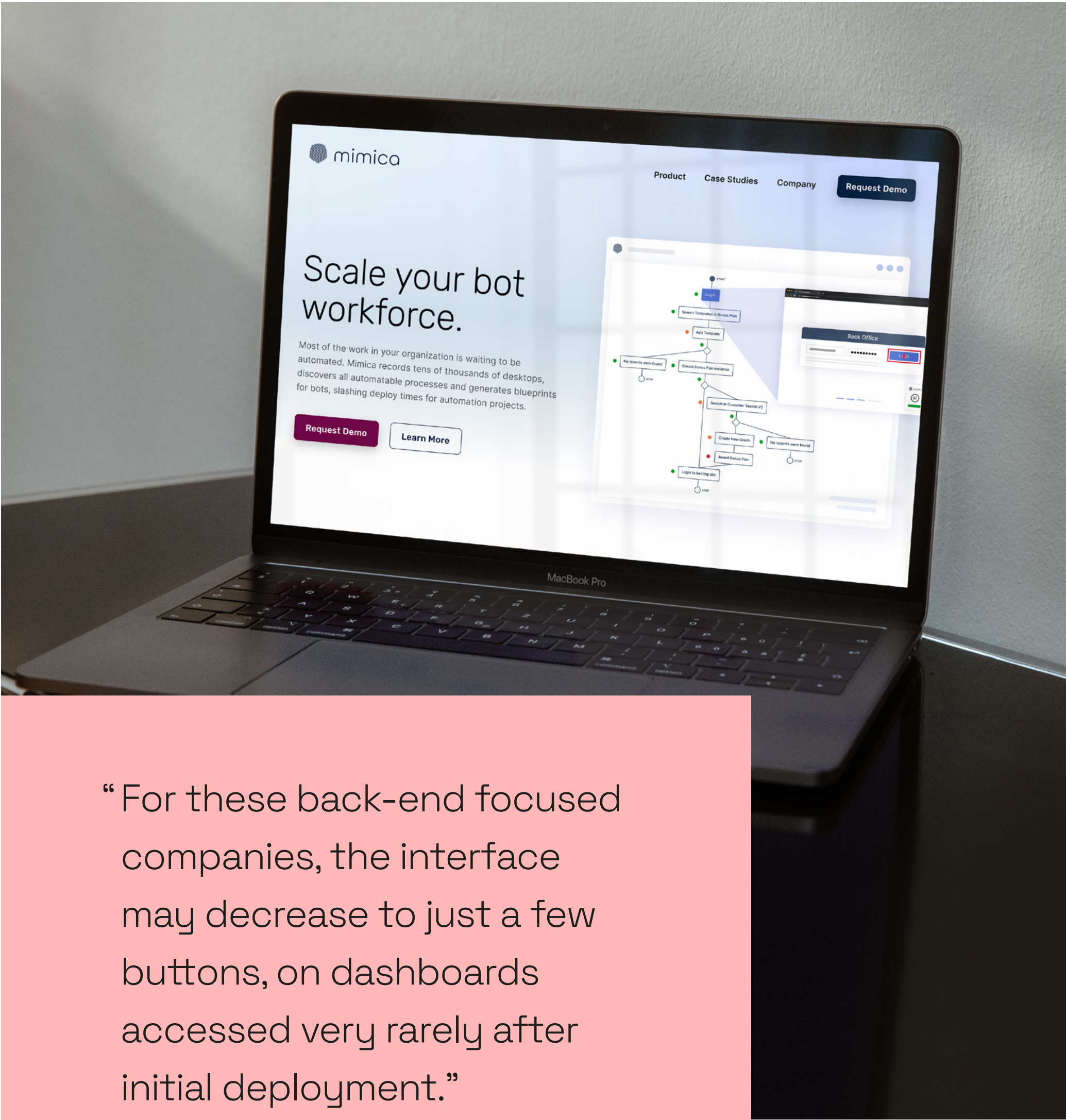
Any software that effectively drives efficiency, controls costs and/or automates existing work, is therefore well on the way to featuring in the top 100 list. Alasco (#17), for example, offers real-time financial control to the real estate industry. The owners of construction projects are kept in sync on the budget and status of their projects by bringing all stakeholders together (bank, construction manager, contractors, surveyor, project managers) on the Alasco platform. As all data resides in one place, Alasco encourages collaboration and can eliminate effort by providing automated invoices, forecasts, alerts, and task management. Over the past year, the business has seen top-line revenue from new customers grow rapidly as well as strong penetration into multiple projects with existing customers.



➤ Alasco offers real-time financial controls to the real estate industry and encourages collaboration by hosting all data in one place.

“Any software that effectively drives efficiency, controls costs and/or automates existing work, is therefore well on the way to featuring in the top 100 list.”

Stephanie Opdam
Principal, Notion Capital



“For these back-end focused companies, the interface may decrease to just a few buttons, on dashboards accessed very rarely after initial deployment.”

Stephanie Opdam
Principal, Notion Capital

↖ Mimica records tens of thousands of desktops, discovers all automatable processes slashing deploy times for automation.

Evolutions in user experience

Our top 100 is equally split between front-end and back-end focused software. Unsurprisingly, given the importance of efficiency discussed above, automation is very much on an upward cycle, for example process automation start-up Mimica (#93); which quietly monitors thousands of desktops, hunting down real opportunities for automation. For these back-end focused companies, the interface may decrease to just a few buttons on dashboards accessed very rarely after initial deployment. In the background, the software is humming away, popping out answers, insights or documents.

This replaces a more traditional logic that customers must interact with software as much as possible in order for it to be perceived as valuable. This evolution might explain some of the short-term growth we’ve seen in lightweight software, such as desktop organisers.

One start-up that seems to capture both front and back-end change effectively is Supernormal (#75). Supernormal creates highlights of the key moments during a conference meeting and sends short videos of those highlights to the relevant team member automatically. It’s a perfect blend of back-end heavy lifting and front-end simplicity.

Sweeping away the incumbents

The start-ups we have discussed typically replace manual work with digital innovations to drive greater efficiencies. Inato (#13), for example, brings patients and doctors together to find more participants for medical trials. Others disrupt processes with full robotic automation; e.g. Sonantic (#48), which makes AI-generated voices for games and films.

But there is also a group of start-ups whose focus is to replace old incumbents (mostly Excel) that are no longer fit for purpose. A good example here is Katana (#10) whose customers (manufacturing SMBs that sell D2C) are migrating from performing inventory management on Excel spreadsheets to a sector-specific platform that is easier to use and cheaper than SAP.

Advice from the coal-face: insight from the top 100 founders



Author
Ines de Lestapis
Associate, Notion Capital

As part of our research, we have been fortunate enough to interview some of the founders leading our top 100 companies. They have given us a deep dive into the key themes driving Cloud innovation today, and three topics have consistently stood out: remote working, remote sales and a revolution in healthcare.

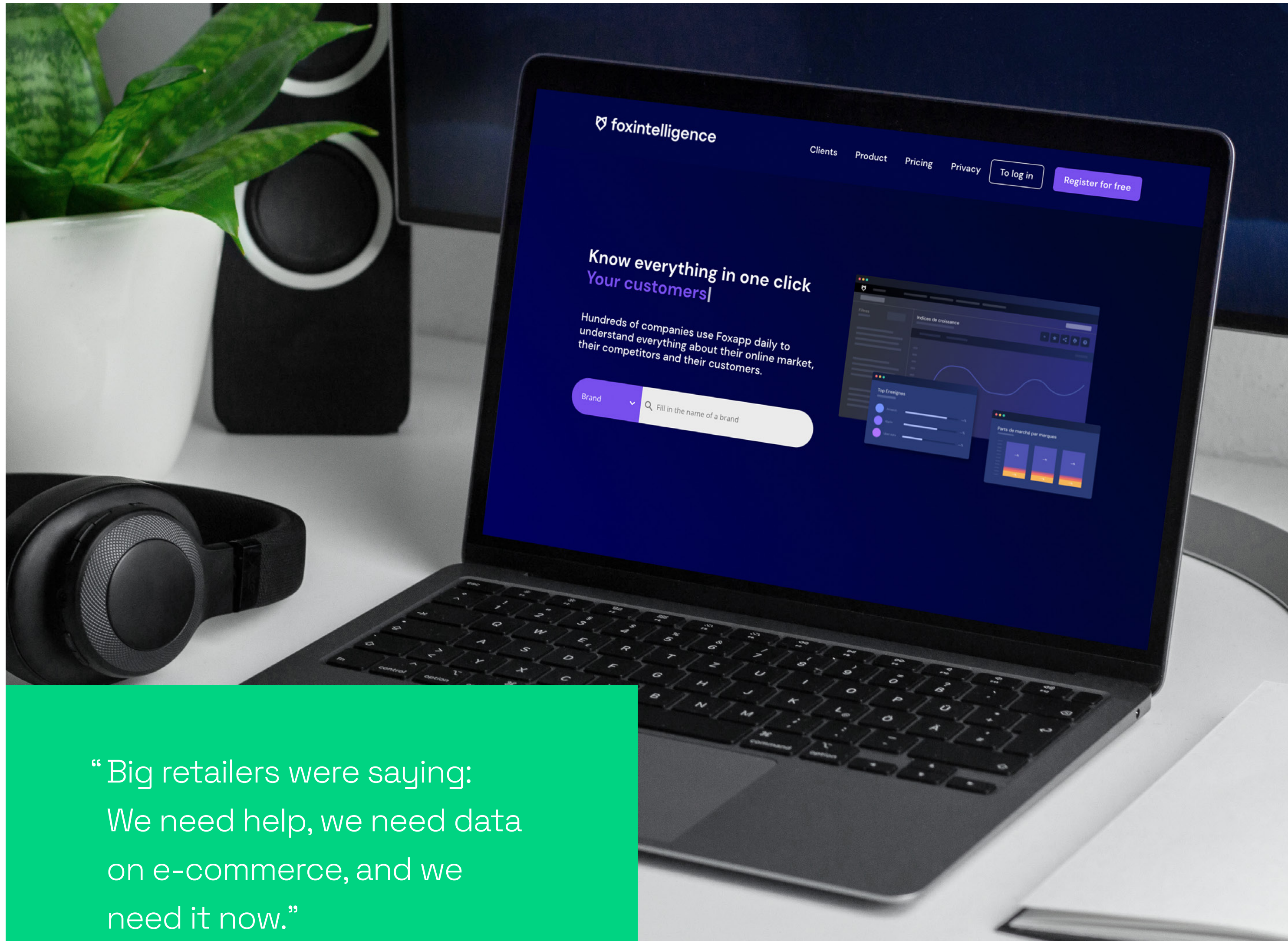
A catalyst for remote working and selling

It’s no secret that the pandemic has impacted every business, but what’s fascinating is the domino effect it has had on multiple businesses within the top 100. Our founders highlighted two key areas of change in working practices:

- i. **Internal working processes:**
Most founders envision that, in the long-term, they’ll adopt a remote-first or hybrid model. As such, to keep their businesses running smoothly, there are additional considerations that founders and their companies need to take into account, such as digital tooling to ensure effective collaboration and putting extra effort into building and maintaining a strong company culture.
- ii. **Coping with inbound demand:**
When it comes to clients, the need to educate them on why they might need a particular digital tool has waned. Businesses now increasingly take that responsibility on themselves, curating the right SaaS stack for their own needs. Instead the challenge for high-growth software businesses now lies in being able to scale internal sales and customer success teams to satisfy inbound demand.

With regard to inbound demand, the companies in our top 100 sell to enterprises in many different markets, from insurance to healthcare, finance to construction firms. Prior to the pandemic, such industries could be deeply traditional in the way that they operated, in particular conducting predominantly physical meetings. The pandemic changed that in a matter of days: clients realised that they would have to buy without meeting in person. To keep up with the demand that has arisen from this seismic change, startups in the top 100 list have developed accelerated marketing and sales processes which allow customers to self-educate and self-serve, offering them an end-to-end digital buying and onboarding experience.

The construction industry, for example, has traditionally been very relationship-driven. Sales centred on multiple face-to-face meetings. But when the pandemic hit, it became easier to reach more people within an organisation. “Whereas previously you’d have to book a site meeting, now we’re able to run all of our training and all of our onboarding remotely”, says Brittany Harris, CEO of Qualis Flow. “In less than a day, we can get a site up, which never would have happened a year ago.”



A breakthrough moment for retail

Change opening sentence to: Prior to the pandemic, e-commerce represented less than 12% of sales in the retail sector. ⁽⁰⁷⁾. But almost overnight, e-commerce became the only channel for selling, and thus the main growth channel for startups and larger businesses alike. FoxIntelligence (#11) sells online consumer data to major retail brands. Founder, Edouard Nattée, explains that thanks to the pandemic, their biggest barrier to a sale has disappeared: they no longer need to educate potential clients as to why Foxintelligence’s analytics tools add value.

Edouard reports that clients of all sizes are now demanding a greater understanding of their customers’ online buying behaviours, as it is now such a key part of their strategies. E-commerce insight has gone from a “nice to have” if the budget allowed it to a mission-critical “must have” for retailers; and there is no sign of e-commerce falling back post-pandemic, either.

“Big retailers were saying: We need help, we need data on e-commerce, and we need it now.”

Edouard Nattée
Co-Founder & CEO, FoxIntelligence

↖ FoxIntelligence sells online consumer data to major retail brands.

“I don’t think we’ll ever go back to being how we were before COVID. That means how we hire, where people work, how we communicate, and also how we work with our customers.”

Mikela Druckman
Co-Founder & CEO, Greyparrot

An evolution in how we work
and how enterprise clients work

The pandemic has also transformed the core operations of major organisations. Take pharmaceutical companies: their Covid experience showed that these companies could execute much faster than in normal times when under pressure and when the stakes are literally life-or-death. Consider, for example, how rapidly they were able to collaborate on producing viable vaccines for Covid-19. The pandemic was an electric shock for the pharma industry in terms of changing operational processes in order to effectively work remotely. Pharmas have been through a dramatically accelerated digital transformation, according to Kourosh Davarpanah, CEO of Inato (#13), a marketplace that digitises access to clinical trials.

Companies such as Abacum (#15), a SaaS provider of FP&A software for tech finance teams, told us how they had been significantly more productive during the pandemic, simply because back-to-back Zoom meetings were so much faster than a series of face-to-face meetings which also required time to travel. Accelerated remote selling has allowed them to become a global player, with clients all over the world, instead of being considered a primarily Spanish company.

Echoed across our top 100 ecosystem, this has had a profound impact, not only on sales processes, but also on the potential these startups have to grow: geography is no longer a barrier when offering a digital product.

Our interviews shone a light on some of the best practices for selling SaaS in the post-pandemic era:

01.

Fully digitise the sales funnel

It is now practical to move to a 100% digital process when selling, even with major enterprise clients. Benjamin Guenther, CEO of Alasco, says “We can now sell to big companies online which was not possible before. So in terms of sales we have a way higher efficiency, velocity and product audience that we can target.”

02.

Invest in tooling to get the sales process up and running

Remote selling isn’t trivial; it requires the application of appropriate tooling. These include client-facing tools, such as Demodesk (#5), and also tools that support internal sales teams, such as Modjo.ai.

03.

Focus on the product

One key priority is to provide a highly differentiated product that customers love. Product-led growth is a fully digitised, zero-touch sales methodology which has seen massive adoption since the onset of the pandemic. It affords the user greater flexibility through a bottom-up approach - handing the tools to employees instead of negotiating with top management first. It means that employees become your greatest evangelists, reducing the barrier to a sale. Delivering a product which customers love, and showing love to customers in turn, is a major motivation for the majority of the companies we spoke to.

The health and wellness revolution

Even pre-pandemic healthcare was in the midst of a digitisation and big data transformation. It’s no surprise, then, that healthcare is well represented in our top 100 report, with 11 companies from the sector on our list: Accurx, Agamon, Awell, Doctorly, Gleamer, Hi.Health, Inato, Kiroku, Novoic, Sancare and VineHealth.

Prior to the pandemic, healthtech presented inherent challenges when examined as an investment opportunity. What would a potential exit look like? How could healthtech move away from archaic software solutions held in place by incredibly strong lock-in power? Disruption in healthtech has often been agonisingly slow.

But there are some parts of this market which have gained strong traction, even prior to the pandemic, and which therefore offer lessons for elsewhere in the health and wellbeing space, e.g.:

- Apps and wearables (Fitbit, Oura etc.)
- Services providing an improved user experience to traditional insurance

An example of the latter from within the Notion Capital portfolio is YuLife, a life insurance software that aims to improve the long-term wellbeing of employees, via an interactive app that is paid for by employers as part of a benefits package. Another successful example in Europe is Alan, the health insurance company that recently reached unicorn status (€1.4bn valuation) in its latest funding round.

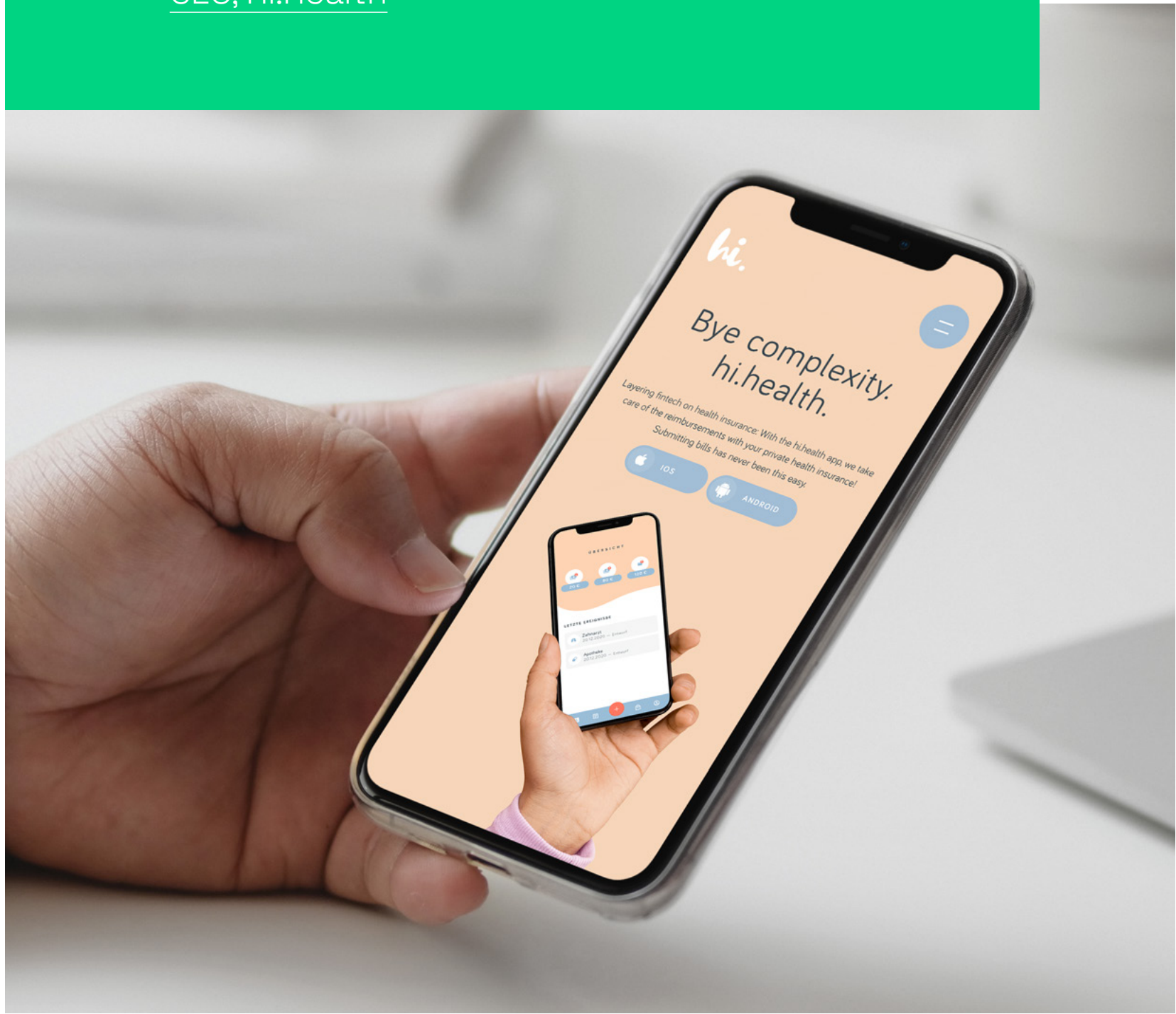
And today, healthtech is opening up. There is now much greater scope to develop healthtech solutions, as core challenges in infrastructure and data interoperability are slowly being resolved.

The key trends in healthtech innovation can be divided into four verticals:

	01.	02.	03.	04.
	AI Diagnosis	Clinical Trials Optimisation	Improved Patient Interaction	Data Collection and Core Data Infrastructure
SOLD TO	Hospitals	Pharmas	GPs / primary care	Hospitals / Pharmas
BUSINESS MODEL	Usage-based pricing	Marketplace transaction fee	SaaS	SaaS / usage-based
FOCUSED ON	Time-saving and higher quality	Cost-Saving	Time-saving and cost-saving	Time-saving
MAIN CATALYSTS	Lack of supply for proper treatment	Need for greater speed for results	Lockdown and COVID pandemic	Lack of data interoperability
TOP 100 LIST	Gleamer [#76] Novoic [#36] Sancare [#71]	Inato [#13]	Accurx [#18] Doctorly [#26] Kiroku [#63]	Vine Health [#46] Agamon [#58] Awell [#70]

“The future opportunity is that the digital health space will grow tremendously, with growth rates of more than 40% each year.”

[Sebastian Gruber](#)
[CEO, Hi.Health](#)



➤ Hi.Health helps patients manage reimbursements for private health insurance claims.

What is driving these trends?

In the healthtech sector, the objective is not revenue enhancement but operational efficiency. The pandemic was a wake-up call as to how outdated – and therefore expensive – care pathways have become, and so digitisation has become a top priority.

Tools seeking to enhance and digitise the patient journey in primary care, for example [Accurx](#) (#18) and [Doctorly](#) (#26), are still in their infancy and have great potential. Telemedicine is an “easy” entry point to building a more modern healthcare network, where data is exchanged seamlessly between providers (e.g. GPs and hospitals), and possibly even across borders. The promise is that services for patients will become streamlined and more proactive, from diagnosis through treatment, to medicine prescription and aftercare.

Technologies striving to improve disease diagnosis have also seen a surge in investment, particularly thanks to the positive evidence that AI can enhance our ability to rapidly detect anomalies when looking at an X-ray or MRI scan, for example. The hope is that these tools will be democratised; and solutions such as [Gleamer](#) (#76) will become increasingly important in augmenting the skills of trained medical professionals.

Currently the general pattern is that these tools, often created in Europe, are able to monetise fastest in the US, where there is greater demand and revenue potential from a single, mature, privately and well funded healthcare system. There’s still a challenge around how these startups and technologies can become profitable and achieve scale in Europe, due to the complex and divergent healthcare systems in each country and the limited funding on offer from the public sector.

A great opportunity for healthtech development in Europe would be to leverage those players in the sector with the greatest financial firepower – insurance and pharmas – to the advantage of the overall ecosystem. This approach is already playing out successfully for clinical trials marketplace, [Inato](#) (#13), who offer their software free of charge to hospitals (thereby reducing sales friction) and lean on pharmas as their revenue generator.

In future Cloud Challenger reports, we will also be watching out for wellbeing tools which directly target corporate organisations, as they will likely find an easier path to monetisation. We expect them to follow the same trajectory as fitness apps, but their model has the advantage of also being able to expand into other parts of the healthcare economy, such as fertility and nutrition.

In the next edition of this report, it’ll also be interesting to see whether major players in the mental health space can grow to a global scale. We’ve seen increased demand for such solutions since the start of the pandemic, coupled with an increasing sense of responsibility from corporates to ensure their employees are happy and healthy. This will, of course, also form part of modern corporate culture in the post-pandemic remote working world. We look at these trends further in our ‘War for Talent’ section later in the report.

What makes a Cloud Challenger Founder? Not a cookie-cutter...



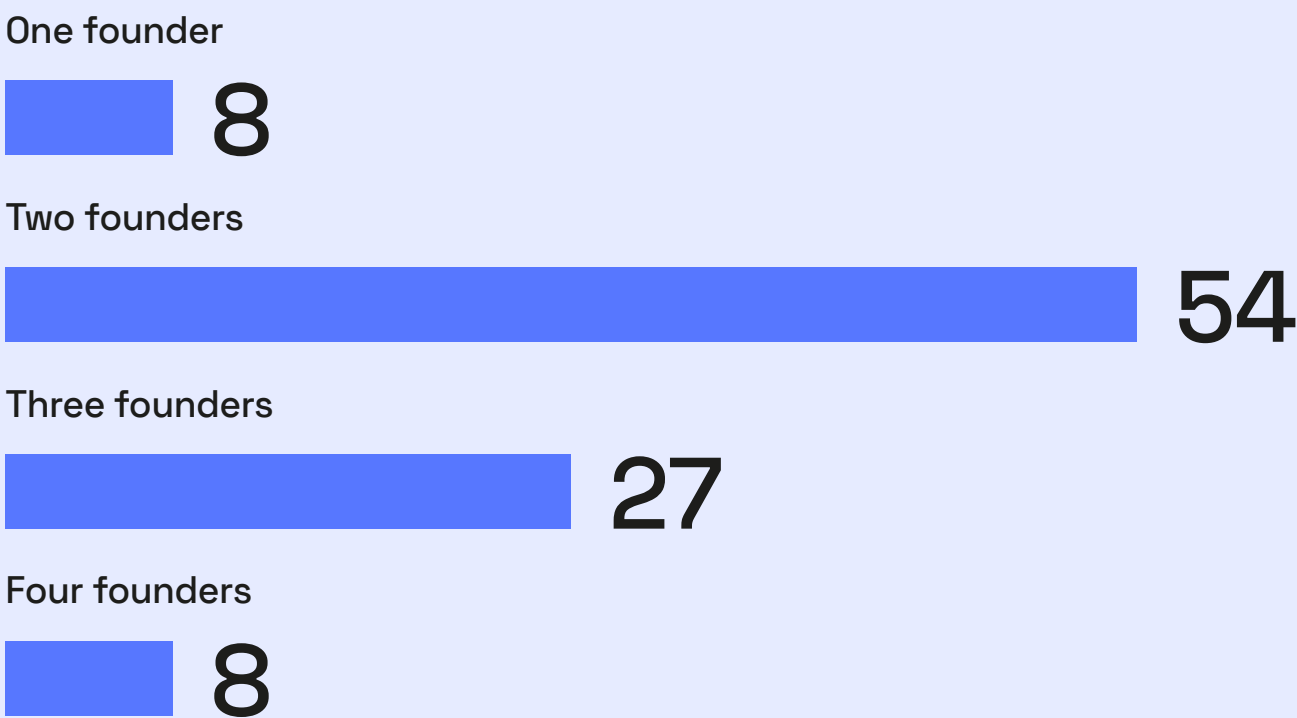
Author
Kamil Mieczakowski
Principal, Notion Capital

The wide range of sourcing criteria used to compile our top 100 has surfaced a diverse set of businesses, and nowhere is that more apparent than among their founders.

A deeper dive into the makeup of the founding teams, their geographies, previous startup experience and / or employment and educational backgrounds throws up a surprising breadth of experiences.

Two’s company

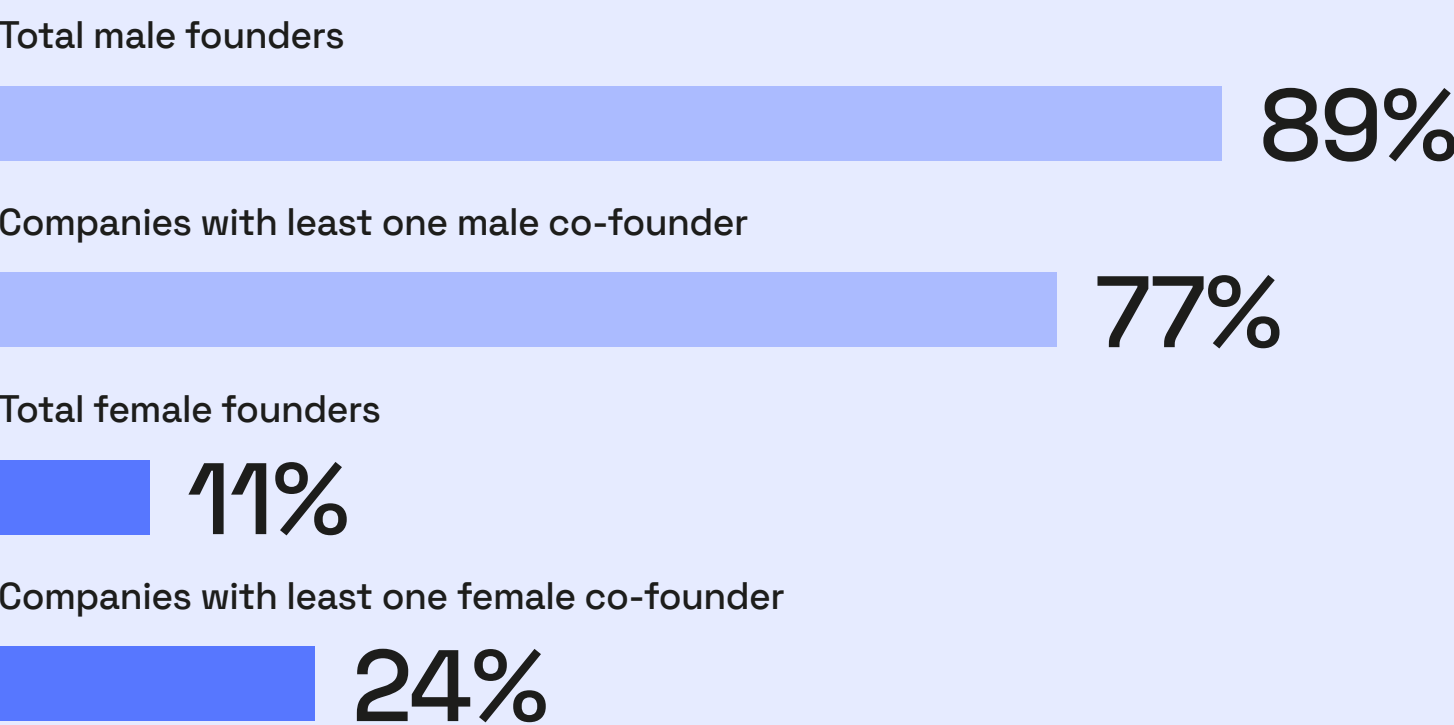
Just over half of the companies in the top 100 have two founders. Nearly a third are headed by a team of 3 founders, whereas the solo founder and the group of 4 or more founders account for only 8% each.



The gender gap prevails – and we’re poorer for it!

There is still a noticeable amount of work to be done to address the gender imbalance in tech. Only 11% of the 243 founders and co-founders in our top 100 list are female. Yet, as some companies have more than one founder, a more healthy 24% of the companies have at least one female co-founder.

However, it’s clear that there is still significant scope to achieve more balanced representation on the boards of start-ups and we hope that the needle will move in the right direction in the coming years.

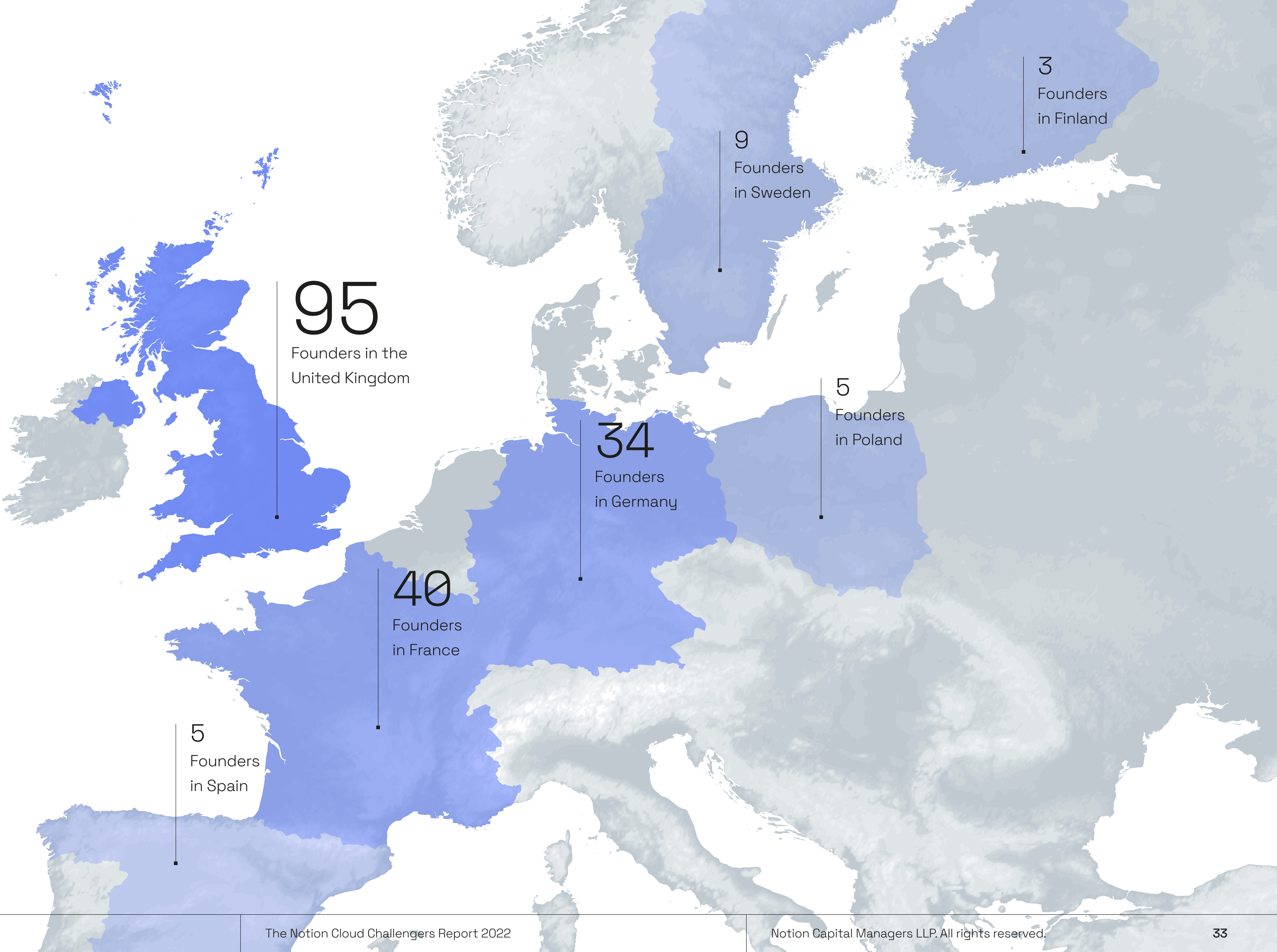


Redressing the balance will certainly help start-ups, as, interestingly, our research found that, when looking at total funding raised, companies with a female co-founder have been able to raise on average 50% more than their all-male counterparts. The average amount raised for teams with a female co-founder on the Cloud Challenger list is \$6m, whereas the average amount of funding raised by an all-male team is \$4m. Furthermore, gender diverse teams have a better funding velocity rate (the speed at which they raise follow-on rounds of funding); and statistically they are more likely to attract the attention of Tier 1 investors.

Europe’s entrepreneurial roots

The UK, France and DACH regions dominate the list in producing leading founders. The Nordics are moderately well represented, while Southern Europe and the CEE region (Central and Eastern Europe) are in a more emerging phase.

Volume of founders



No entrepreneurial experience necessary...

Perhaps surprisingly, only 10% of the founders on our list are ‘serial’ founders – with one or more companies under their belt. But they are exceptionally successful: on average, serial founders were able to raise nearly 2x more capital than first-time founders. The average total amount raised by a first-time founder on our list is \$4m whereas the average total amount raised by a serial founder is \$7m. That said, the fact that 90% of founders on the list are first-timers demonstrates that new entrepreneurs can still attract venture capital, talent, and build successful companies.

“The majority (95%+) of first-time founders on our list have experience of working either in tech or in an industry relevant to their company, prior to founding their business.”

Kamil Mieczakowski
Principal, Notion

...But ground-floor experience is essential

They may not have been entrepreneurs before, but the majority (95%+) of first-time founders on our list have experience of working either in tech or in an industry relevant to their company, prior to founding their business. Only a handful of founders on our list started their businesses straight out of university.

As part of our analysis, we looked at which employers are producing these new entrepreneurs. We discovered 3 major categories:

Growth-stage startups:

Many European high-growth startups are giving new founders the experience, confidence and skills to succeed. Well-known examples include:



Big tech:

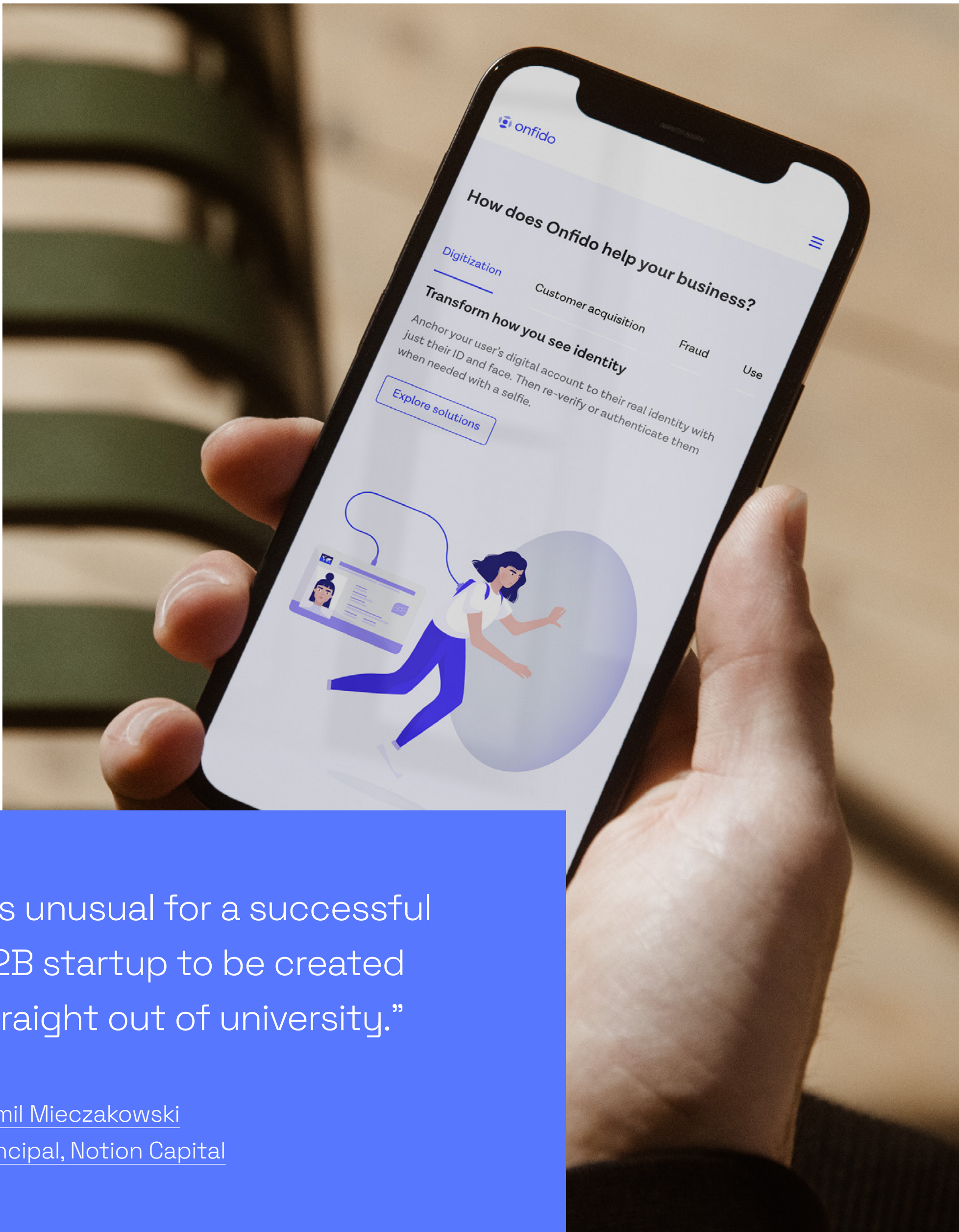
Tech’s biggest employers are unsurprisingly a breeding ground for Cloud Challengers:



Consulting firms:

And with business expertise on tap and burgeoning in-house tech practices, the major consultants are also turning out founder leaders, e.g.





“It’s unusual for a successful B2B startup to be created straight out of university.”

Kamil Mieczkowski
Principal, Notion Capital

✓ Onfido is a rare example where founders created a successful startup straight from university.

With 17% of founders on the list originating from European scale-ups, it feels like Europe is starting to increasingly resemble Silicon Valley where established startups serve as training grounds for the next generation of founders.

We are still some way away from a full Silicon Valley-like ecosystem, where the alumni of great startups not only become founders in their own right but also raise a first round of funding from their original employers. However, Europe is heading in the right direction.

It’s not where you studied, it’s what you did that matters

The educational paths of our founders have been very diverse. Almost 15% of the founders in our report don’t mention any education on their LinkedIn profiles. This may suggest the lack of a university education; it may equally reflect less importance being attached to traditional education in the fast-moving world of tech.

In the UK, the only universities that appear more than twice on our list are the Universities of Oxford and Cambridge, and Imperial College London (ICL). In wider Europe, the list is similarly short: the Technical University of Munich in Germany and ParisTech, HEC Paris and École Polytechnique in France.

Honourable mentions must also go to a set of regional universities which have produced relatively high volumes of promising founders, namely the University of Bristol, University of Bath, Copenhagen University, and the Estonian Business School.

There are some obvious patterns when it comes to the best B2B startups, such as prior work experience leading to a market insight that inspires a founder. It’s unusual for a successful B2B startup to be created straight out of university (Onfido is a rare example), whereas it is quite common in the consumer space (think Facebook, Snapchat). However, what is also interesting is the lack of homogeneity in our top 100; we are seeing incredible diversity in the problems being solved by these companies, which is indicative of the fact that there are so many aspects of the business world still to be disrupted and transformed.

The war for talent

One area of the research that stood out for us was the inexhaustible need for exceptional talent – and the consequent challenges in finding it.

In lieu of any physical inventory, SaaS businesses have limited overheads for developing and distributing their products. Without warehouses, supplies or logistics to manage, the variables for winning distill down to one essential driver: talented people.

As a result, the most substantial operating expense of any SaaS business is payroll. More tangibly, the ratio of payroll to revenue for a SaaS business tends to be 80%⁽⁰⁸⁾ meaning that, for every unit of sales, 80% of it is invested back into payroll. This is high compared to other industries, which on average hover at around 30%⁽⁰⁹⁾. This singular dependence on human capital implies that, more than anything, the potential for a SaaS company to grow hinges on its (and in particular its founders’) ability to attract, empower and retain extraordinary people.

A record of over €26 billion was invested in European SaaS startups in 2021, and the lion’s share of it will be directed into funding human capital⁽¹⁰⁾. Many of the founders we spoke with highlighted the pace of hiring as their primary constraint to growth. Their concern is justified: we’re in the middle of the most competitive market for candidates in over twenty years.

Average payroll ratios for businesses:



Average payroll to revenue ratio for SaaS businesses



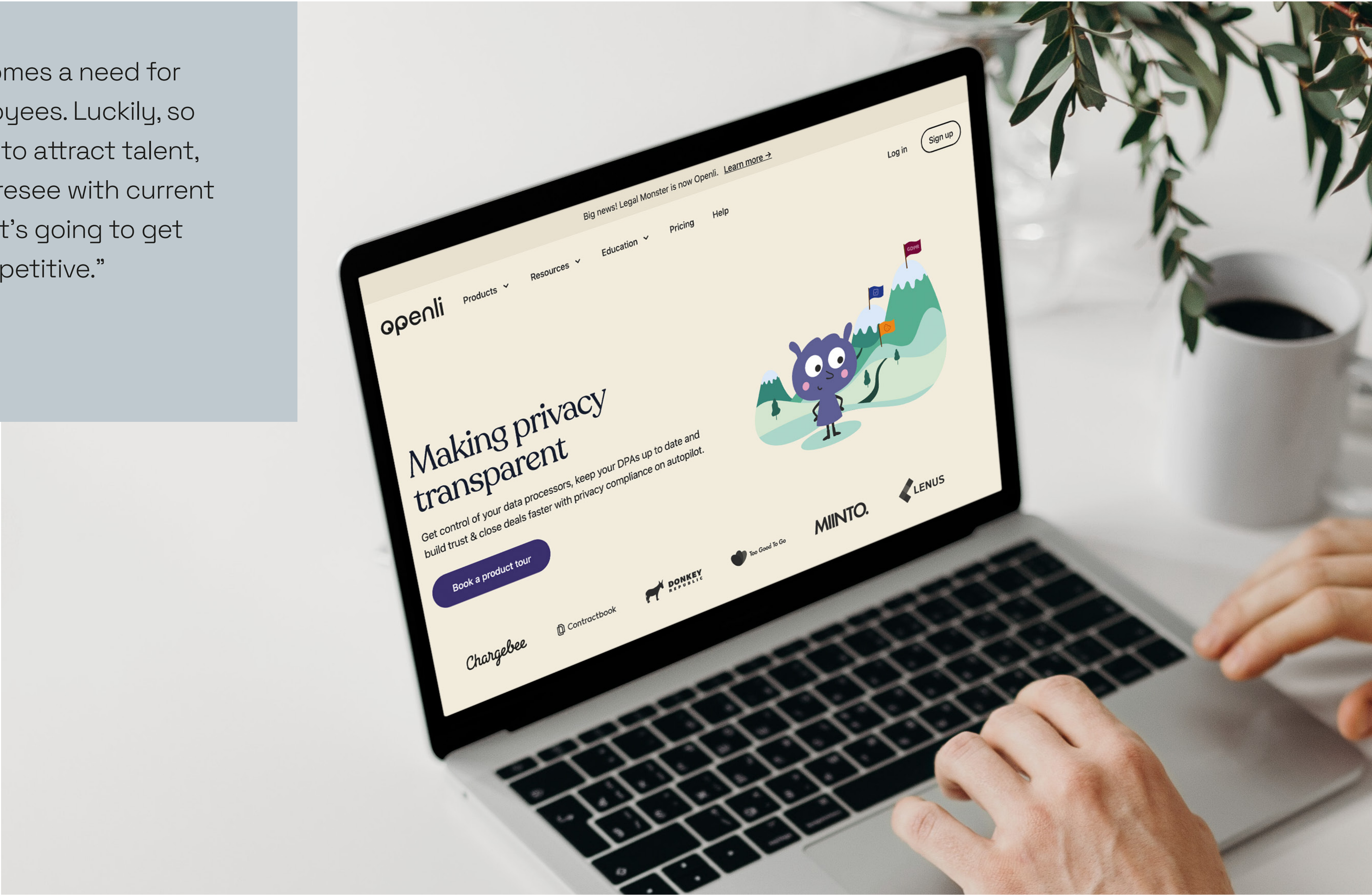
Average payroll to revenue ratio for other industries



Author
Michelle Cheng
Head of Talent, Notion Capital

“With high growth comes a need for a lot of skilled employees. Luckily, so far, we’ve been able to attract talent, but I could easily foresee with current market trends that it’s going to get more and more competitive.”

Stine Mangor
Co-Founder & CEO, Openli



➤ Openli (formerly Legal Monster) allows companies to get control of their data processors, enabling the automation of privacy and compliance.

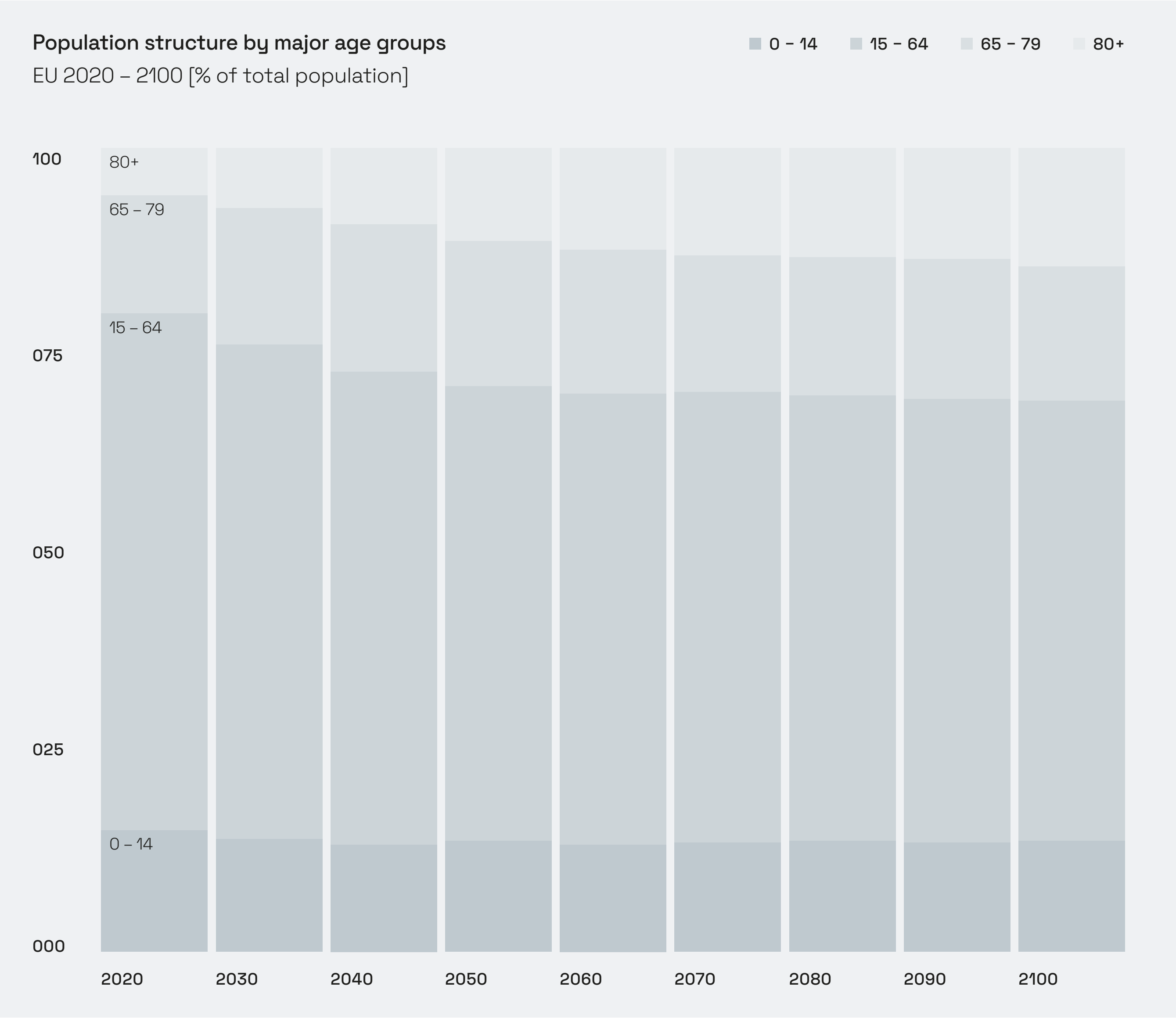
Why this matters for scaling companies

We’ve always emphasised the importance of great teams, but labour market dynamics are making it essential for founders to compete for talent as strategically and viciously as they might for fundraising or new business. With competitors raising larger rounds of equity, growth is accelerating and capital is being deployed faster. Three factors are exacerbating the existing challenge:

Challenge 01

A shrinking workforce

Many developed countries are hitting a record number of vacancies: the German labour authority anticipates they’ll need to import 400,000 skilled workers per year to make up for shortfalls in various industries⁽¹¹⁾ and 7 in 10 workers in the UK stated that they were ready for new roles⁽¹²⁾. Unhelpfully, the workforce itself is also shrinking: by 2035, there will be around 50 million fewer people of working age in Europe than there were in 2010⁽¹³⁾.



“At the senior level, global searches for some key roles are up 130% and they are taking on average 13% longer to fill, quarter over quarter.”

Michelle Cheng
Head of Talent, Notion Capital



Challenge 02

Rising demand for tech talent

Within our own portfolio, vacancies in November 2021 were almost double what they were pre-pandemic and are seven times higher than in April 2020. This excludes executive roles, which are generally not posted on job boards. These roles saw exceptional rises in demand – at the senior level, global searches for some key roles are up 130% and they are taking on average 13% longer to fill, quarter over quarter⁽¹⁴⁾.

Challenge 03

Attrition and total cost of hires

Stunting this growth are salaries and resignations. Salaries rose over 5% and tech resignations increased by 4.5%⁽¹⁵⁾. This is the equivalent of a very expensive leaky bucket: employees are leaving at a faster pace than they can be replaced, and their replacements are costlier to acquire.

How the top 100 are approaching the challenge

The fierce competition for top talent has led to a lot of noise directed at candidates as companies seek to differentiate themselves. Coming out of the pandemic, expectations of flexible work and equitable benefits are table stakes. So what should founders focus on, not just to land the best people, but once they’ve joined, create the conditions for their success?

“I would definitely spend the money to hire more experienced team members earlier. I think when people can really own their function and just take over, it just takes a huge weight off you as a founder, because you can just let that run.”

Sam Davyson
Co-Founder & CEO, Stacker

01

Find intimidatingly good people, and land them

Game Changers are people who have an overwhelmingly positive impact on the trajectory of a business. This impact can often be mapped down to a single point of inflection, usually within the first six months, where their influence has materially tipped outcomes in favour of the company. Depending on the function, this can be in the form of net new business, hiring at scale, or impact on EBITDA. At the early stages, the difference between winning or losing is underpinned by the capabilities of the people founders select to build their companies alongside them.

There isn’t a universal framework for finding Game Changers, but a common starting point is to filter for profiles of people that have done precisely what you’re looking for before. When it isn’t possible to use straightforward signals like this (such as in the current market, where there is a candidate shortage), a rule of thumb used by smart founders is to look for people who might not have the exact qualifications, but still make you feel like they’re going to do a much better job than you, making you confront yourself with your own inability to do things. The founder of GoCardless, Hiroki Takeuchi encourages founders to be ambitious about the people they hire and look for people whose excellence in what they do is borderline threatening⁽¹⁶⁾.

Investing the necessary time and attention into selecting and landing the right candidates is essential. Founders can expect to spend at least a third to half their time hiring⁽¹⁷⁾. Using that time efficiently is essential: traditionally, offer-to-acceptance rates are 90% or higher, but recently we’ve seen that fall to 75% due to candidates receiving multiple competing offers⁽¹⁸⁾. If founders are devoting a third of their time in a sixty-hour week to hiring, that’s about five hours a week wasted on hiring processes that amount to nothing. In the current environment of optionality, spend time refining your employer brand and removing frictions from your hiring cycle.

02

Create a culture that scales

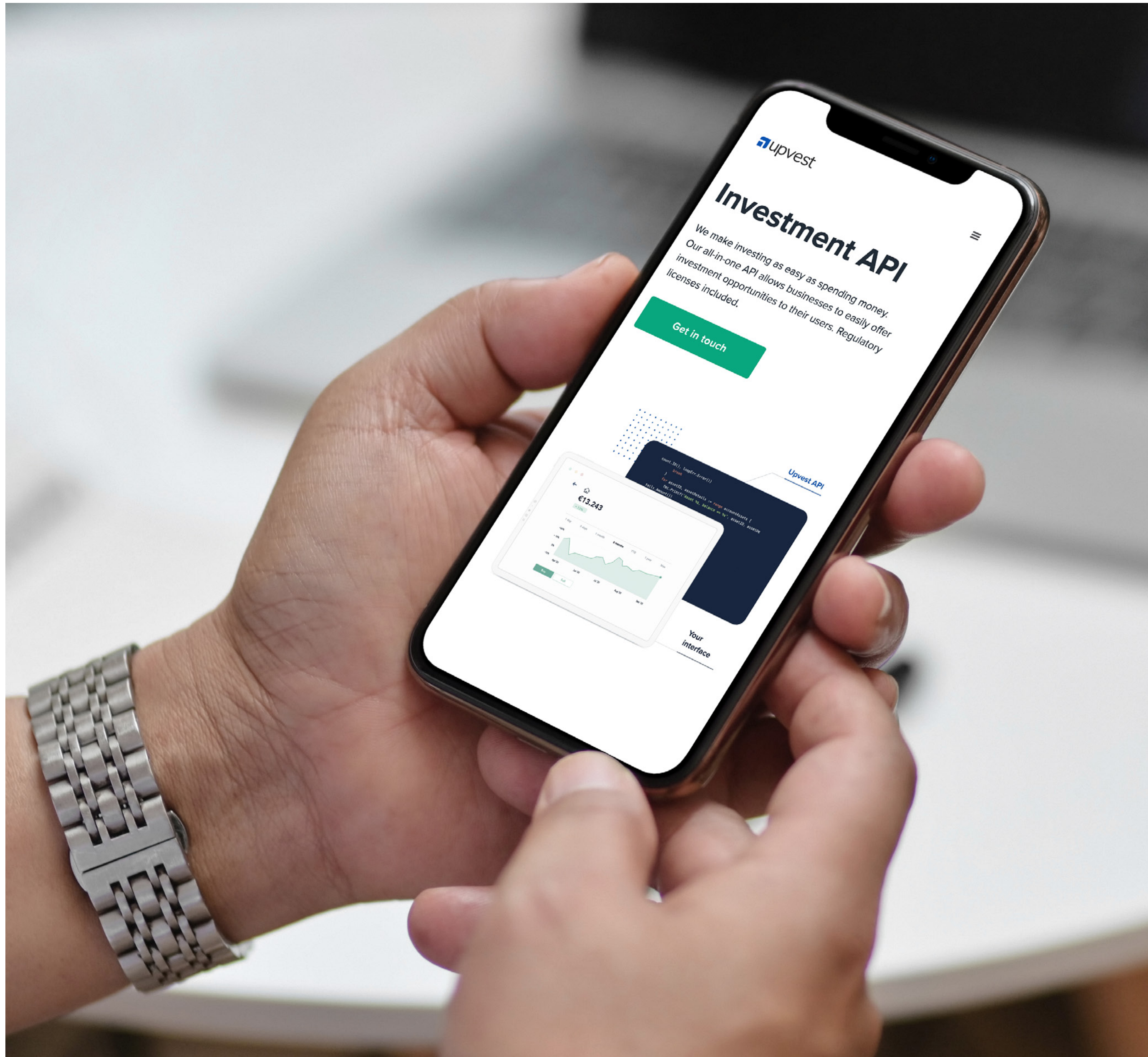
“Focus on people and culture. They decide what happens with the company. They make all these mini decisions and they make the difference. So it’s really focusing on people, on talent.”

Sebastian Schuon
Co-Founder & CEO, Alasco

All but two of the founders we interviewed were emphatic about the role of culture in building an enduring organisation. With an average tenure in tech hovering at around 24 months, it’s not so much about retaining every employee for as long as possible as it is about creating an environment of shared understanding when a founder can no longer meet or oversee every employee.



↩ Tech companies and startups benefit greatly by creating an environment built on a shared understanding.



“At the end of the day, what really makes the difference in the long run is the culture. The bigger you get, the more important the culture, because there will be the time that you’ll have 500, 600, 700 employees making decisions autonomously based on the culture. Companies plateau because of cultural issues. Those that go to \$100 billion and beyond are those that actually still have very strong cultural values.”

Martin Kassing
Founder & CEO, Upvest

Upvest have a team of over fifty employees, coming from twenty different countries.

Final words: three disruptive themes for European Cloud



Author
Jos White
General Partner, Notion Capital

A number of interesting themes are highlighted in the Cloud Challenger report. I think this is to be expected from an industry that is so dynamic and fast moving, and that has been propelled so rapidly further forwards by the pandemic. There are three that really stand out for me, as follows:

The huge impact of remote working

Technology was already ushering us towards a more digital-first world, where we no longer had to be together to get stuff done. Then Covid-19 happened. It turbo-charged this shift; but also forced many people into an instant trial of what it would be like to work in the Cloud rather than the office.

Communication and collaboration tools were the most immediate beneficiaries of this accelerated trend. But the next phase is looking more broadly at how founders and owners operate and manage a remote-first organisation – not temporarily but on a more permanent basis.

On the people side, this includes recruitment, on-boarding, payroll and benefits, training and employee feedback and wellbeing. On the sales side, zero-touch and remote selling are driving the need for a more comprehensive set of tools to support an end-to-end online process that includes demand generation, sales conversion, onboarding and product led growth.

In parallel, we see a growth in tools that enable people to perform other traditionally face-to-face services remotely. Health and education are two of the biggest opportunities here; but there are many more, including events and professional services.



↖ The Covid-19 pandemic turbo-charged the shift to a more digital-first world, especially in terms of work.

The war for talent

This is a theme that has infused this report in a number of ways. It is the number one challenge facing the founders we spoke to; and it is a major driver for start-ups in this space who are trying to solve the problem with innovation.

The move towards remote work should in some ways make winning the war for talent a little easier, because it opens up so many more talent pools. Equally, however, the other side of the coin is that top talent enjoys more transparency than ever; and access to opportunities on a global scale.

As we saw earlier, it is going to be essential for companies to learn how to thrive as a hybrid or remote-only organisation. This is a true megatrend; it will run and run. Related to this, companies will need to develop their employee value proposition like never before if they are to succeed in attracting and retaining the best people in this environment. And this extends far beyond compensation (a big challenge in itself, by the way).

I believe people are going to care ever more not only about having the freedom to work where they like, but also to work for a company that stands for something they believe in. Successful companies will be on a clear mission which their employees believe in and can get behind wholeheartedly. This could be the most powerful way to differentiate yourself in today’s challenging circumstances for recruiting talent.



➤ Many of the founders we spoke with highlighted the pace of hiring as their primary constraint to growth.

“A record €26 billion was invested in European SaaS startups in 2021, and the lion’s share of it will be directed into funding human capital.”

Michelle Cheng
Head of Talent, Notion Capital



“By many metrics, the European region is growing faster than any other and is one of the leading regions in the world.”

Jos White
General Partner, Notion Capital

✓ At the end of 2021 more than \$80bn will be invested into European tech start-ups.

The European market

The European tech ecosystem is no longer emerging. By many metrics, the European region is growing faster than any other and is one of the leading regions in the world. At the end of 2021 more than \$80bn will be invested into tech start-ups – more than double the previous record year – and there will be close to 200 unicorns.

The European market has unique and world leading attributes and is now bringing them together to deliver on its huge potential. The region is also growing in terms of its confidence and ambition. No longer is Europe aspiring to be like other regions but instead it is forging its own path and leveraging its own distinctive qualities. Part of this progress is simply a function of time – the more great companies that get created the more experience and capital there is to recycle back into the ecosystem.

The move towards a more digital and remote way of working has, in any case, also meant that location is less important than it used to be. European companies can now appear more like global companies from day one and, in many cases, can serve other markets remotely in a way that wouldn’t have been acceptable to the market even a few years ago. This is likely to level the playing field even further for ambitious start-ups, no matter where they are based.

You can see many of the companies in our Cloud Challenger report leaning into this trend as they invest more into digital tools and enter new markets with confidence.

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Thank you for reading our first ‘Cloud Challengers’ report.

Let’s talk.



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