A recipe for a unicorn: what do billion dollar startups have in common?

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Introduction

The purpose of our work was to compare the general features of existing unicorn startups and to analyze which factors increase the chances of building a successful company. We were aiming to check if there is a set of general features that boosts the startup's chances of becoming a unicorn.

What does the term *unicorn* mean?
A unicorn startup is a privately held startup company that is worth more than 1 billion dollars. The term became popular a few years ago, it has been first coined in 2013 by Aileen Lee. The mythical animal was meant to represent the statistical rarity of such successful ventures. However, extremely successful startups are not as rare now as they used to be back in 2013.

One of the reasons behind the rapid growth of unicorns is adopting **a fast-growing strategy** called get big fast (GBF) strategy for startups. GBF is a strategy where a startup is focused on rapid development mostly by cutting prices. This procedure allows us to gain an advantage in market share.
To obtain unicorn status companies are using **technological advancements**. With the broad access to social media, startups have the ability to expand their business faster than ever.
Also, many unicorns bolster their businesses by **buying out technology and business models** from large public companies rather than creating them themselves.

Some of the unicorn features include:
•using modern technologies, especially Information and Communication Technologies (ICT),
•short period of activity (usually up to 5 years),
•searching for or having a repetitive, scaled and profitable business model,
•operations in high-risk conditions,
•the pursuit of rapid growth.

Methods

In this poster, our attention is focused on **currently existing unicorn startups**. We have compared them in terms of industry, geographic location, size of profit achieved. It has been analyzed whether on the basis of such basic and general features we are able to select the set of features that enhances startup chances to become a unicorn. Due to the space limitation presented charts are only a part of the analysis, we have mentioned some more details in conclusions. This work is created based on data from cbinsights.com. Available data has been developed, presented graphically and analyzed by our team.
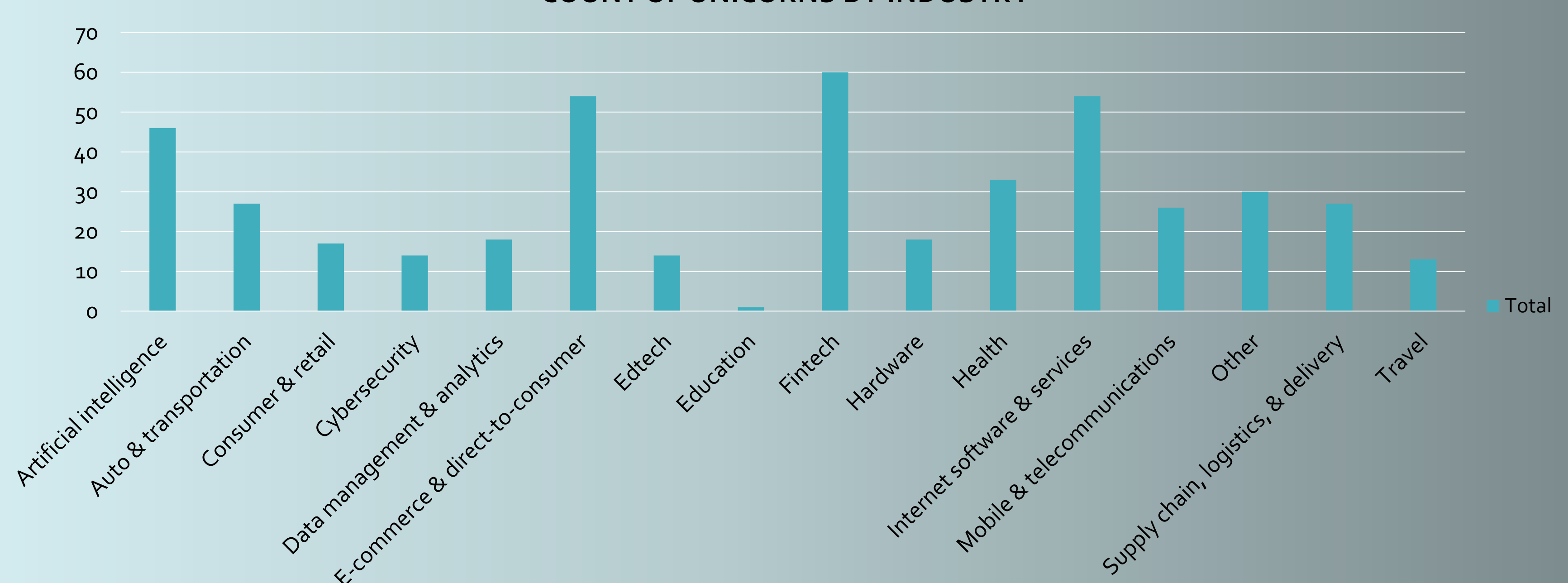
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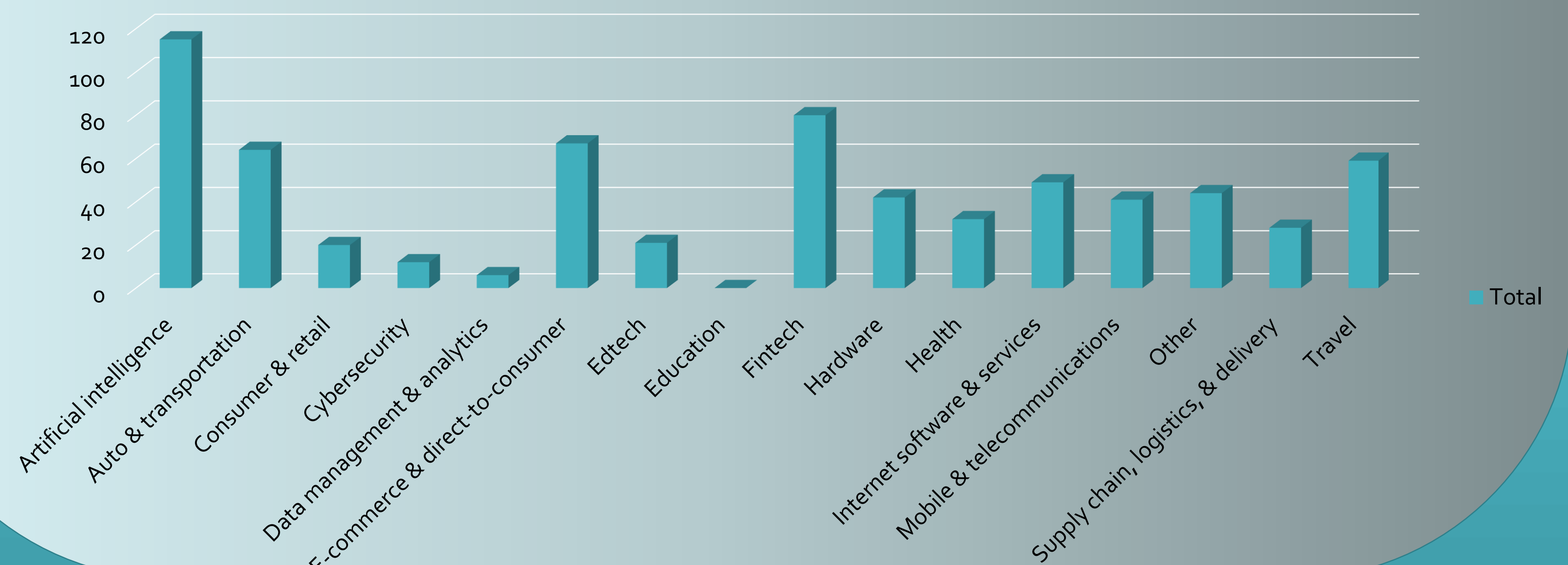
COUNT OF EXISTING UNICORNS BY LOCATION

- Africa
- Asia
- Australia
- Europe
- North America
- South America

0%
2%
36%
1%
12%
49%
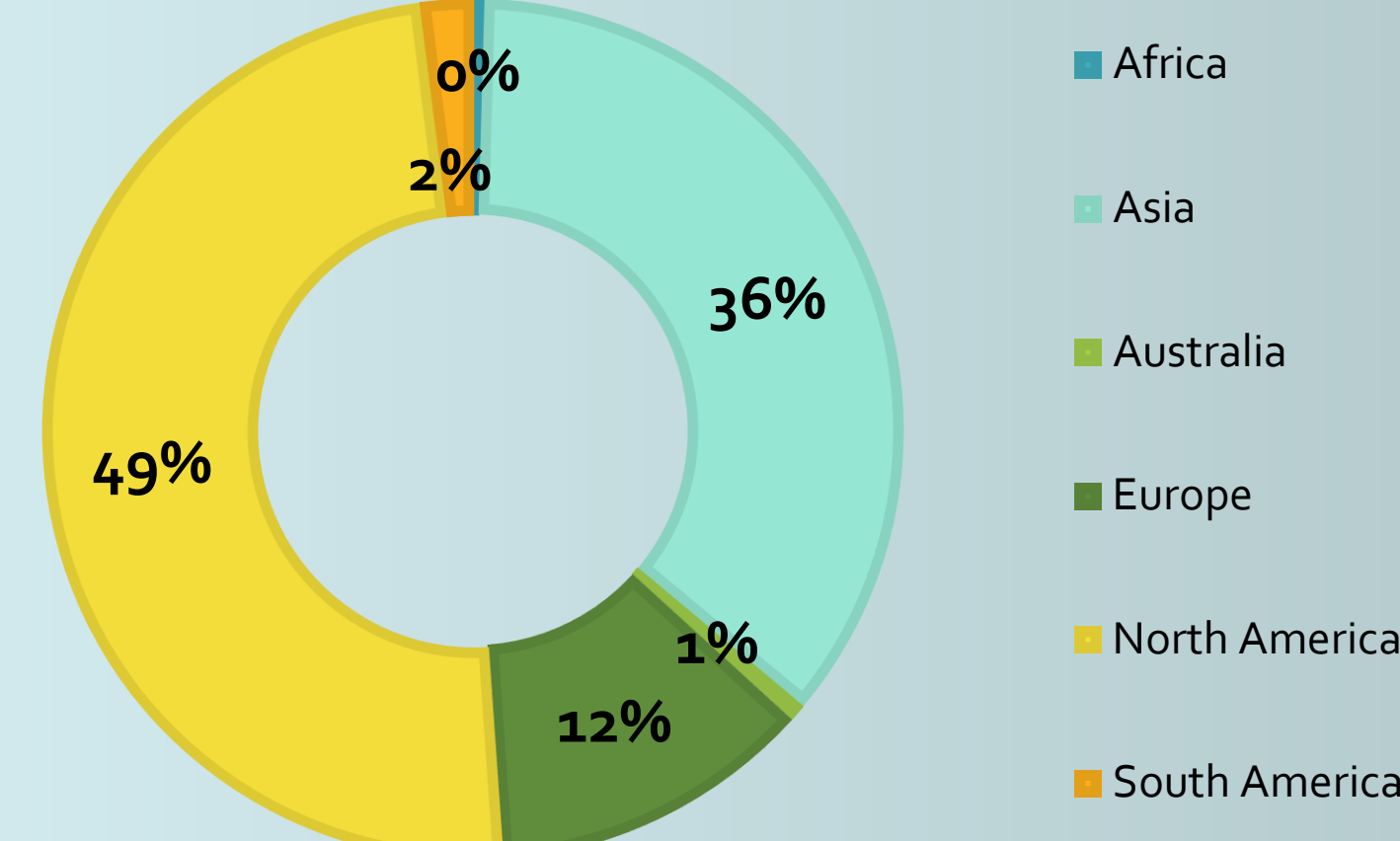
COUNT OF UNICORNS BY YEAR JOINED
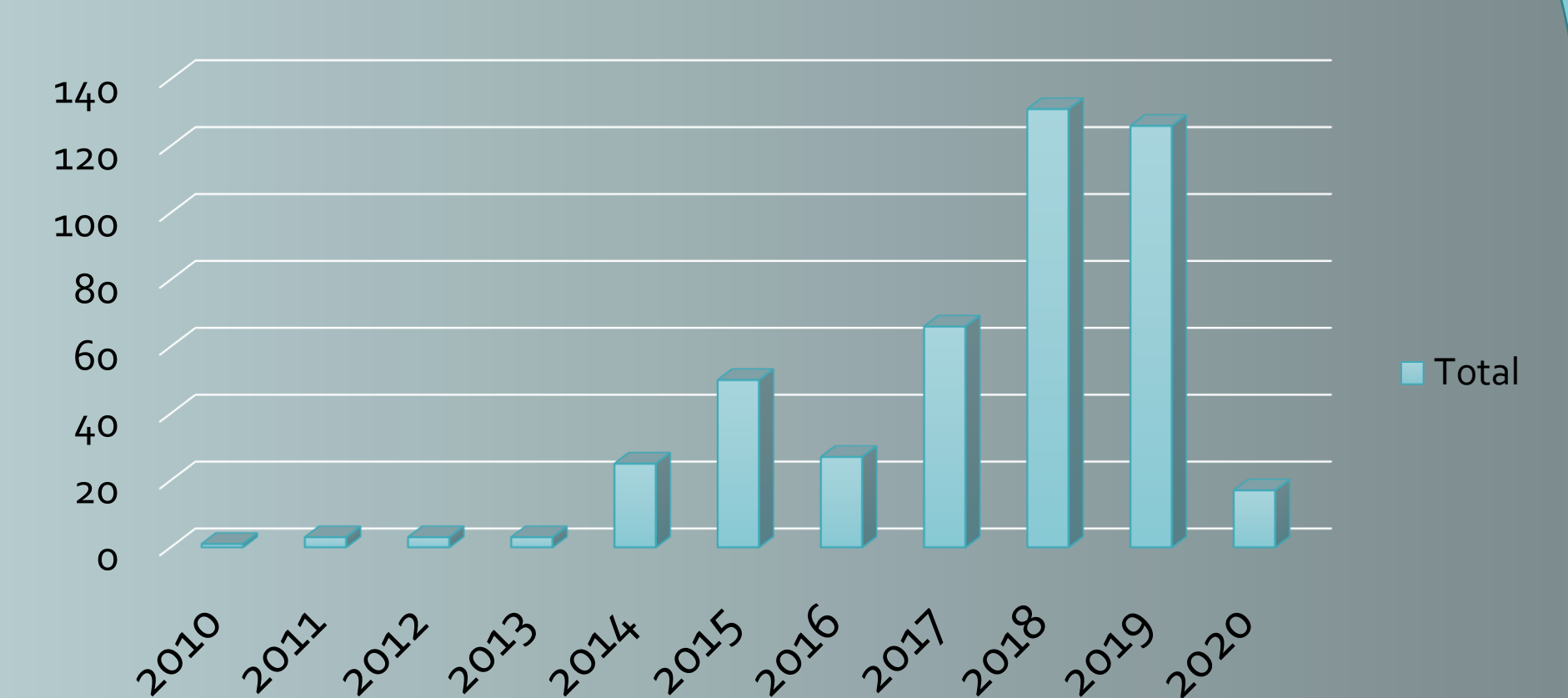
COUNT OF UNICORNS BY INDUSTRY

VALUATION OF UNICORNS BY INDUSTRY ($ BLN)

Conclusions

It was not a surprise that the majority of successful startups were established in either the USA or China. Statistics show that other countries that might offer a favorable environment for building a startup are UK (24 unicorns), Germany (12), India (20) and South Korea (12).
Most of the UK-based unicorns are in the fintech industry (10). UK is broadly known as one of the financial European capitals (London City), with its excellent educational base (LSE, Oxford, headquarters of CIMA and ACCA) and large experience in the banking sector it is undoubtedly a location worth considering when starting a financial company. There is no leading industry among German startups, Germany might be considered a safe environment in general due to a variety of startup acceleration programs (eg. German Accelerator) and a stable economy.
When looking at diagrams showing the count and valuation of unicorns by industry, there are four main leaders: AI, e-commerce, fintech, internet software and services. While the development of e-commerce was responsible for unicorns growth in 2014-2016, the rise observed in 2017-2019 was the era of IT and fintech. One of the possible reasons is that building a startup in those industries does not require any expensive infrastructure, it is mostly based on highly qualified human resources. There is always a risk involved in starting a new company. When it is not necessary to invest heavily in the beginning it makes people more eager to try. Another possible reason for the rise of IT unicorns started in 2017 is a fast development and growing demand for the robotic process automation and IoT solutions.
To sum up, there are features that enhance chances of building a successful startup: there are certain locations and industries that give better chances to succeed, it is also important to choose the right moment in time.

12th International Scientific Conference
of the College of Management and Quality Sciences
of the Cracow University of Economics