

The logo for Nesta, consisting of the word "Nesta" in a bold, black, sans-serif font, followed by three blue dots.The logo for The Lisbon Council, featuring the words "theLisbonCouncil" in a blue, sans-serif font, with "the" in lowercase and "LisbonCouncil" in title case. Below it, the tagline "think tank for the 21st century" is written in a smaller, red, sans-serif font.

European Digital City Index

Executive Summary

Introduction

Nesta today launches the European Digital City Index (<http://www.digitalcityindex.eu>) which describes **how well different cities across Europe support digital entrepreneurs**. The index has been produced by Nesta as part of the European Digital Forum, the ultimate purpose of which is to support digital entrepreneurship and digital startups across Europe.

For **startups and scale-ups**, the European Digital City Index provides information about the strengths and weaknesses of local ecosystems, allowing them to plan accordingly and consider where they may need to devote more resources.

For **policy makers** aiming to encourage digital entrepreneurship in their own city, the Index helps to identify existing and promising hubs of activity, in order to learn from their practices. Additionally, it allows benchmarking of performance against other European hubs, and helps identify which policy areas to prioritise.

Unique features

Whilst other indices of entrepreneurship exist, many of these take an overly coarse-grained view of geography, ignoring the manifest differences which exist between cities. The European Digital City Index is the **only index which describes what matters to European digital entrepreneurs on a local level**.

The final rankings were calculated using a **weighted geometric aggregation method** which penalises 'weak links' and makes it more difficult for a city to compensate for weak performance on one theme by strong performance in others. This results in an innovative way of measuring the richness of an ecosystem as a whole.

In addition, Nesta has deliberately aimed to include some **novel metrics** (such as Twitter activity and Github use) that it felt provided an interesting, but under-utilised, indicator of digital activity.

The index provides **different perspectives for startups and scale-ups**, reflecting the fact that the needs of very young companies or individual entrepreneurs differ from those of rapidly-growing firms with more employees.

In addition, the index features a **customiser tool** which lets users assign greater or lesser importance to a theme, and reorder the ranking accordingly, so creating their own custom index.

Geographical Coverage

The Index covers **all capital cities** in the EU. Additionally, it **includes seven non-capital cities** (Barcelona, Cambridge, Cologne, Milan, Munich, Oxford and Stuttgart) in the EU that are important hubs of digital entrepreneurship; these extra cities were chosen by reference to other indicators of digital activity or entrepreneurship such as the ICT Poles of Excellence and the Regional Entrepreneurship and Development Index. Depending on the availability of city-level data and resources, it is hoped that the 2016 version of this Index will expand the number of non-capital cities. If you would like to suggest a city for inclusion and can assist with the data collection, please contact the research team at: EDFx@nesta.org.uk

Composition

The Index is composed of **ten 'themes'**: (1) Access to Capital; (2) Entrepreneurial Culture; (3) Mentoring & Managerial Assistance; (4) Skills; (5) Business Environment; (6) Digital Infrastructure; (7) Knowledge Spillovers; (8) Market; (9) Lifestyle; and (10) Non-digital Infrastructure.

These ten themes summarise the environment of a given city, as it relates to digital entrepreneurship. The themes were chosen by reference to the academic literature on entrepreneurship, through consultation with experts, and through a process of primary research with digital startups - in other words, **asking entrepreneurs from across Europe what matters to them.**



Each of the ten themes is, in turn, composed of **multiple variables**. For instance, the 'Entrepreneurial Culture' theme includes measures relating to willingness to take on risk; perceptions of entrepreneurship; trust; and other factors of relevance. In total, the index **looks at 38 different factors for each city.**

2015 Results

The index finds that the top 5 cities in our rankings are clustered in northern Europe and the Nordic regions: **London, Amsterdam, Stockholm, Helsinki and Copenhagen.**

Of the top 3, **London's** position at No. 1 for both startups and scale-ups was due largely to its high scores in Access to Capital (having very well developed venture capital markets); Entrepreneurial Culture; and Knowledge Spillovers (including having multiple world-class universities in the city). Despite poor scores for labour cost, cost of office space and the cost of living, its overall performance across the many dimensions made it a clear leader.



Compared to London, **Amsterdam** (ranked No. 2 for startups) has more consistent scores across all themes of our Index. As per our methodology, scoring highly on one theme or variable only partially compensates for scoring low on another, therefore Amsterdam performs much better than the majority of European cities. **Stockholm** (ranked No. 3) does well on most themes as well, but especially on Entrepreneurial Culture, Market and Skills, in the last of which it is top ranked.

More surprising is the position of **Berlin**, at number No. 7 for startups and 9 for scale-ups, behind several of the Nordic capitals. Despite having generated a number of tech 'unicorns' (billion-dollar startups) like Zalando and Delivery Hero in recent years, the German capital is let down slightly by its Digital Infrastructure score and high cost associated with employing staff.

Another surprise is that **Brussels** ranks in the top 10 because of its high score in the Access to Capital (private and public) and Non-digital Infrastructure themes. The presence of high quality research institutions, several European Union institutions and affordable co-working spaces also likely have a positive spillover effect on digital entrepreneurship.

The European Digital City Index is available at <http://www.digitalcityindex.eu>

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About the European Digital Forum

The European Digital Forum is a think tank dedicated to empowering web entrepreneurs and growing Europe's digital economy. The initiative is led by the Lisbon Council, a European think tank based in Brussels, and Nesta, the United Kingdom's innovation foundation, in collaboration with the European Commission's Startup Europe initiative. The European Digital Forum was launched at the World Economic Forum in January 2014 as a vehicle to intellectually accompany the 22-point action plan put forth in the Startup Manifesto (www.startupmanifesto.eu) written by the Leaders Club, an independent group of founders of world-leading technology companies based in Europe.
<http://www.europeandigitalforum.eu>

About Nesta

Nesta is an innovation foundation with a mission to help people and organisations bring great ideas to life. We are dedicated to supporting ideas that can help improve all our lives, with activities ranging from early-stage investment to in-depth research and practical programmes.
<http://www.nesta.org.uk>

About the Lisbon Council

The Lisbon Council for Economic Competitiveness and Social Renewal is a Brussels-based think tank and policy network. Established in 2003 in Belgium as a non-profit, non-partisan association, the group is dedicated to making a positive contribution through cutting-edge research and by engaging political leaders and the public at large in a constructive exchange about the economic and social challenges of the 21st century.
<http://www.lisboncouncil.net>



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