

Tech republic

The Czech capital is working hard to boost foreign investment and show the world that it is not just a pretty face, says **Rose Dykins**

A “happiness officer” hands me an espresso and offers me a seat. I’m visiting Startupyard (startupyard.com) in Prague’s former factory district of Smichov, and I’ve arrived at a busy time. Light surges through the huge grated windows, illuminating the all-white public area with its spongy lime-green furniture. Odd couples of twentysomethings in hoodies and men in suits are huddled over tables, deep in discussion.

I’m joined by San Francisco native Lloyd Waldo, a copywriter, blogger and mentor at Startupyard, who tells me that these are participants in the start-up accelerator’s programme. They have been paired with mentors and potential investors to help them get their business ideas off the ground in three months. In a meeting room, the chairman of Microsoft Europe is waiting to share his wisdom – and nobody wants to waste a second of their slot with him.

Startupyard is both a helping hand and a bootcamp for young entrepreneurs, most of whom will have computer coding skills. Teams from across Europe

Right: David Cerny’s sculptures of babies crawling up Zizkov Television Tower

submit their product ideas – usually an app or a service – and if they are selected, they are flown to Prague, given an investment of €10,000, free lunch and accommodation, office space at the organisation’s HQ in Techsquare (techsquare.cz), and high-calibre mentors to assist them for the duration of the intensive process.

“Start-ups have a very specific velocity – it’s about moving from the idea’s conception to its execution as soon as possible,” Waldo says. “For this run of the programme, we wanted to specialise in data analytics and search publications.”

It seems these internet entrepreneurs are in the right place, as the Czech Republic’s online sector is flourishing. Leading the way is Seznam (seznam.cz) – the only company in Europe that is beating Google in its local market, as the number-one search engine in the country.

“The value of the Czech online market has only grown, because Google invests more and more money into language, maps and localisation [to compete with Seznam],” Waldo says. “This shows how David can beat Goliath – a company that has its culture focused on one market can consistently beat the giant that is only playing with one hand. Google’s main interest here is to remain relevant rather than to win.”

He adds: “It’s pretty good when you have someone else innovating and making the market more valuable for you – if Google grows, Seznam grows. And bringing competitors in increases the value of the space – which is what we’re about at Startupyard.”

With its location in the centre of Europe, the Czech Republic is well placed to rival Berlin and London as a tech hub. Aside from boasting what is arguably the most beautiful city centre in Europe, the inexpensive cost of living and opportunities that come with being a gateway city create the potential to attract young talent from other Eastern European countries – such as Estonia, where computer coding is now taught in primary schools. Then again, the city has plenty of its own brainpower.

“There’s a huge intellectual base, with very skilled workers,” Waldo says. “If you look at the number of engineers that graduate here every year, it’s huge compared with other cities of this size. It’s also relatively cheap in terms of labour, but very modern. It’s a great market for testing business products. Nothing’s too established, and it’s not too crowded yet.”

Search engine Seznam is the only company in Europe that is beating Google in its local market



It's not only the capital that is witnessing a budding tech scene. Tereza Hatleova, communications officer for the British Chamber of Commerce in the Czech Republic, says: "The IT sector is proving popular for investors not only in Prague but also in the Moravian region. Brno, the second-largest city in the country, is pitching itself against Prague. The offices and labour are cheaper, and there are a lot of start-ups."

Traditionally, the Czech economy has relied heavily on manufacturing and exports. The automotive industry is particularly strong, with 80 per cent of the 1.18 million cars produced here each year being exported. However, the country's economic interests are gradually broadening as it attracts foreign investment.

Ondrej Votruba, general director of Czechinvest, an agency that mediates foreign investment, says: "The Czech economy has changed as an investment destination from being orientated around manufacturing to a smarter, more modern one. Sectors such as IT and research and development are becoming increasingly important."

The Czech Republic has been identified as a key target for British exporters by government department UK Trade and Investment. Over the past ten years, Czechinvest oversaw 95 UK-funded projects in the country, totalling Kc25.3 billion (£758 million).

Last year, British exports to the Czech Republic rose by 7.1 per cent, and steps have been taken to increase this figure even further. In March, an agreement was signed between the British

'The Czech economy has changed – sectors such as IT and R&D are becoming increasingly important'



Embassy in Prague and the British Chamber of Commerce, enabling the latter to provide assistance to UK companies looking to do business in the Czech Republic.

This ongoing initiative will focus on businesses from several key sectors – IT, education, agriculture, professional services, food and drink, packaging and printing, and creative industries. For the first time, there is also a physical space in Prague – the British Business Centre – for UK company owners looking for guidance about the Czech business scene.

"They can drop in, use the wifi hot desk, network, and attend educational events and seminars," Hatleova says. "Our senior consultants can offer support to owners of SMEs [small and medium-sized enterprises]. We can find them office space, find the right local contacts, organise trade missions, or perform research on their behalf."

The centre opens this month inside Florentinum, a monumental new building for the capital. The Cigler Marani-designed mixed-use development is located in the Karlín district north-west of the city, and tenants began to move in at the start of the year.

An expansive, angular glass-planned structure wedged between the gentele 19th-century façades of Na Florenci, Florentinum contains office space, shops and restaurants, a 3,000 sqm piazza and the regenerated historical Des Fours Palace gardens. Adjacent to this, German budget hotel brand Motel One is set to open a property at the end of the year.

Florentinum signifies the transition of Karlín from a manufacturing hub to a thriving business district. Michael Specking, cluster general manager of the Hilton Prague, which is located in the district, and the



Smichov is home to regeneration projects such as the Jean Nouvel-designed Zlatý Anděl building



Hilton Prague Old Town, says: "When I started here a few years ago, Karlín was an industrial area. [In recent years] the district has opened up, and become very investor-friendly. Major companies are popping up like mushrooms." KPMG and Colliers International are some of the multinationals that have set up bases here.

Across the Vltava river, ten minutes south of the capital's Mala Strana district by public transport, Smichov is also undergoing redevelopment. Like Karlín, it was formerly a factory quarter – in the 19th century it was home to breweries, railway carriage manufacturers and a maze of chimneys, a stark contrast to the terracotta rooftops and calm cobbled streets of Mala Strana practically on its doorstep. Now it's home to regeneration projects such as the Jean Nouvel-designed Zlatý Anděl commercial building, and the Nový Smichov mall, which incorporates one wall of a former tram factory.

Techsquare moved to the area in 2012, with Startupyard joining it as a tenant soon after. When you look out of Startupyard's windows, you see mostly motorways lined with steep green hills topped with pretty houses. A block or two away is what appears to be a derelict warehouse with train tracks running to its entrance.

This is, in fact, Meet Factory (meetfactory.cz/en) – a former glass manufacturing site that has been converted into an international centre for modern art by Czech sculptor David Černý, who produced a sculpture of a full-sized London bus sprouting muscular arms and doing press-ups for the 2012 Olympic Games. (His works can be seen around Prague,

Facing page and top: Startupyard at Techsquare
Left: Zlatý Anděl



including his sculptures of babies crawling up the Zizkov Television Tower, pictured on page 43.) It will be interesting to see how the landscape around Techsquare alters further in the years to come.

While Prague's relative youth compared with other European capitals means it can be more receptive to new products and businesses, its newness can hinder it at times. When the city opened up to the wider world in the noughties following the dissolution of Czechoslovakia, there was a rush for hotel brands to establish a presence here. The market became saturated and, as a result, Prague's hotel scene was hit hard by the 2008 global economic crisis.

"We're getting back to occupancy levels we had in 2008, but the high supply of hotel rooms and the lack of increasing demand makes the market here rather fragile," Specking says. "Prague has only had an international hotel offering for the past 20 years or so, whereas Vienna, for example, has traded for double that time, and is a long-established city with a history of hosting corporate events. And, yet, Prague has more hotel rooms than Vienna."

Most of the big brands put their mark on Prague a while ago, and the number of new openings has certainly slowed. Still, there is a vast range of international brands for travellers to choose from, and rates are cheap (€69.70 per night on average). PWC's 2014 *Room to Grow* report, which forecasts hotel prices in 18 European gateway cities, found that Prague had the least expensive room rates of the lot.

From top:
Florentinum
building; Karlin
district

'Czechs look for long-term value – they're not interested in things that aren't sustainable'

Part of the reason is the weakness of the koruna against foreign currencies. Last November, the Czech National Bank placed a cap on the exchange rate of the national currency so that it remained weak (about Kc27 to the euro). This means the country continues to be an attractive prospect to foreign exporters, and consumer confidence should increase among its citizens – both of which should see more money ploughed into the local economy.

Those seeking investment opportunities may want to familiarise themselves with a few aspects of local business culture. "At the beginning, us Czechs can be quite cold, perhaps a bit suspicious, and we keep our distance a little," Hatleova says. "But when Czechs say something, when they shake your hand, they mean it."

Waldo says: "Personally, I like the Czech business environment. The country has a reputation for being conservative fiscally and business-wise, but I think the Czechs look for long-term value. They're not interested in things that aren't sustainable, which is really encouraging."

He adds: "There's a reason why so much money flies around in Silicon Valley – it's a fast, loose culture, and there's a danger in a market like that, where it starts to be full of people who are in that culture, and who start making products for themselves and their friends."

"I don't see that kind of thing happening here – I don't think Czechs would let it get so out of control, because they like real value. They like institutions to last." ■