Berlin startup scene gets nod from Google

FRANK JORDANS - Associated Press - Associated Press

Berlin's budding Internet entrepreneurs received the closest thing to an industry endorsement Tuesday, with a €1 million ($1.3 million) investment from Google Inc. for a new 'hub' where startups can work, play and meet investors.

While the investment is unlikely to provide a material boost to Berlin's tech sector, it's a sign that a city which has so far been a secret tip for geeks hoping to develop the next big web hit is now on the radar of the industry's biggest players.

The German capital has for years been attracting a growing number of creative, young entrepreneurs thanks to its cheap rents and hip party scene. But the city has lagged behind rivals such as San Francisco and London, home to photo-sharing app Instagram and music streaming service Last.fm, when it comes to big-name launches.

Startups based in Berlin sold for a total €500 million in 2010 and 2011, compared with €8 billion for London during the same period.

"We're just at the beginning," said Simon Schaefer of investment firm JMES, which is partnering with Google to provide the new facilities located close to where the Berlin Wall used to divide the city during the Cold War.

One of those who will be taking up residence there is Benedikt Bingler, who is developing a wish list website called 'toast.'

The 29-year-old from the southern German city of Karlsruhe said one of the reasons he and his five collaborators picked Berlin was the low cost of living — a key factor for young entrepreneurs still waiting to break even. Berlin is about a 25 percent cheaper than other major European capitals, thanks mainly to lower rent prices.

For Dario Galbiati, another prospective tenant, moving to Berlin from his native Italy was an obvious choice to work on a new shopping portal called 'W views.'

"People in Berlin know the Internet scene but it's also a cool city so you can attract talent. This gives you all you need for a successful startup," he said.

Doing the same thing back home would have been unthinkable, said the 23-year-old. "Italy is so far behind, it's insane."

Still, Germany is by no means at the forefront of online entrepreneurship. The country's Internet economy generated a turnover of just over €75 billion last year, according to the Mannheim-based Center for European Economic Research. This amounts to about 2.9 percent of Germany's GDP — far behind the 4.7 percent share that the Internet contributed to the United States economy in 2010, according to

Boston Consulting Group.

But the growing international interest in Berlin's digital entrepreneurs has experts rejoicing.

"Google's investment in the startup scene here is a clear signal," said lawyer Andre Egger, who specializes in financing for technology and entertainment companies.

Egger noted that the city, whose unofficial motto is "poor, but sexy," gained a bad reputation for copying ideas some years ago. Its biggest homegrown startup is Rocket Internet, a company that has found success imitating the concepts of existing websites and now boasts 15,000 employees worldwide.

"Berlin used to copy, now it has its own culture and structures," said Egger. Last year alone the city registered 500 Internet startups and those that attract investors can now expect to receive between €2 million and €3 million in initial funding, he said.

A Berlin startup that has already made a name for itself is 'Wunderlist,' a task-management tool that regularly ranks among the 100 top productivity apps on iTunes.

6Wunderkinder, the app's maker, is also moving into the new hub, which will include open space offices, restaurants, a gym and a concert venue.

"If we want to be like Silicon Valley in a few years we need investors like Google and spaces like this," said the company's chief marketing officer, 28-year-old Benedikt Lehnert.

Google doesn't plan to use the new site to poach ideas or successful startups, said Max Senges of Google's German policy team.

But the investment — a minute fraction of the $2.18 billion Google earned in the third quarter — could pay off for the company in other ways.

The search giant has been at odds with the German government and the country's publishers over the so-called 'Google Tax,' a proposed levy on the use of web content. Google has also found Germany one of the trickiest markets for privacy regulation.

"It's not part of effort to improve our image in Germany," Senges said. "But we hope that the sum and the substance of what we do will convince people that we are not evil."

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