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How are UK startups operating in the tech downturn?

According to research by Atomico, more than 200,000 tech workers lost their jobs in 2022. With challenging conditions continuing throughout 2023, how are startups reacting?

With mass layoffs in the tech world continuing to dominate headlines, it’s easy to think that the tech downturn has wiped out any chances of progress for UK startups in 2023 – but how true is this?

Research published *by Dealroom* found that UK startups raised $30B in 2022 – this is down from the heights of 2021 when funding peaked globally, but still 72% higher than 2020’s total.

While such progress is promising, the challenges facing startups this year are significant – consistently high energy costs that show no sign of abating, a talent shortage and challenges to secure funding as competition ramps up are all on the ticklist of 2023 battles to face for startups globally.

“Most businesses such as ours are more focused on their core business fundamentals such as growing revenue while lowering burn significantly,” says Collins Iheagwara, cofounder and CEO at customer communications platform *Simpu*.

“The rapid growth of the past years hasn’t been sustainable. We believe having a reasonable level of caution during this period is healthy.”

Many industries are being hit hard, but others are prevailing through the turmoil. Robert Smith, co-founder at end-to-end salon management and booking platform *Slick*, is optimistic. He says that *data showing* the continuing growth of the beauty and barber industries is promising for his startup's operation.

"We are incredibly optimistic about the outlook in 2023 as we work in a highly resilient sector where both consumers and business owners are ready to move their customer journey online," says Smith.

"2023 won't be without challenges as high street businesses will fold under the increasing energy costs and changes to minimum wage, but we remain incredibly positive as personal care is a growth sector and for the foreseeable, robots aren't going to be cutting your hair or doing your bikini wax! Every year, there is talk of personal care moving into an on demand or at home model, but we just aren't seeing this."

According to *a blog* published by SeedLegals, investors are moving away from the growth-at-all-costs model and focusing on safer investments in 2023 – these are deemed as strong founding teams and companies that are solving a clear problem. But for those who have already secured funding, how are investors advising them to operate during these volatile times?

Simpu, which raised a $1M pre-seed round last year with VC backing, has been advised to watch its burn rate.

"We've also been advised to make sure we have enough operating capital – at least eight months at any given time," adds Iheagwara. "We are looking for additional sources to raise money other than equity."

"The advice from our investors and partners is to focus on growth," says Smith. "We have just launched an in store payment offering in collaboration with Stripe, so we are super excited about rolling this out to our customer base."

Atomico's latest *State of European Tech report* found that 77% are either more optimistic or retain the same level of optimism about the future as they did 12 months ago, and only 23% have seen their optimism lessen compared to last year.

The report states that this is likely because insiders within the European tech ecosystem are able to differentiate between the short-to-mid-term impacts of a financial downturn and the longer-term prospects of the European tech industry – which is promising for founders as a whole.

"We believe in small businesses," says Iheagwara. "We intend to keep growing revenue and offering better communication tools to small businesses to help them reach more customers without breaking the bank. We believe they have been the most hit in this economic hardship and want to keep supporting them."

Slick's Smith also has his eye set on growth despite a challenging landscape: "Our two big focuses in 2023 are launching our SlickPay card machine as we change from a pure SaaS player to a SaaS enabled payments platform, and then site growth.

"We partner with over 1,000 hair and beauty businesses in the UK – we aim to double this and become the leading UK player in the market."

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