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THE NORTH PHILADELPHIA BEACON PROJECT
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As the nation’s sixth largest city puts entrepreneurship front and center, its startup scene is percolating.

The Ultimate Business Incubator

PHILADELPHIA

City of Philadelphia
Philadelphia has long been known for an eclectic mix of history and hallmarks ranging from the Declaration of Independence and Liberty Bell, to the iconic cheesesteak sandwich, and sports teams like the Eagles and Phillies. Today, the nation’s second largest city on the East Coast has a new claim to fame: thriving business hub and startup incubator. Its success in launching new businesses shouldn’t be a surprise. From a well-educated workforce to a strong, pro-startup business culture supported by government and major corporations, Philadelphia has all the key ingredients needed for a thriving startup ecosystem. Lively neighborhoods with plenty of affordably priced housing are proving increasingly popular with millennials, and the city’s well-established equity investment community is expanding to include more angel investors.

“It is starting from the top down,” says Julie Coker-Graham, president and CEO of the Philadelphia Convention & Visitors Bureau.

**INVESTMENT IN ENTREPRENEURIAL SUCCESS**

Long an innovator in education and life science—or “eds and meds,” as they are commonly described—Philadelphia is branching out to attract a broader base of businesses and new business founders. “What we’ve seen since the recession is a much broader growth in the startup community outside of what was traditionally life sciences-based R&D in our universities into a broader range of sectors and technologies,” says John Grady, president of PIDC, Philadelphia’s public-private economic development corporation. “As some of the larger companies headquartered here—like Comcast and Urban Outfitters—have grown, those companies tend to drive startup activity around them.”

Such growth put the City of Brotherly Love on the top 10 “Next in Tech” cities ranking released in 2017 by the Progressive Policy Institute and TechNet, a national, bipartisan
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Philadelphia's diverse economy is made up of thriving businesses ranging from startups to multinational companies.

network of technology CEOs and senior executives. Philadelphia technology companies attracted $119.9 million in venture capital funding between the third quarter of 2015 and end of June 2016—ahead of cities like Baltimore and Washington, D.C. during the same time period, according to a report by JLL, the professional services and investment management firm. To fuel the momentum, the city is investing in and promoting a number of programs to support its business community. The Department of Commerce is currently piloting a program called Gateway Philly, which offers partial rent reimbursement to firms that open a Philadelphia office with at least 20 employees. Meanwhile, StartupPHL, a platform to support startups and help them thrive in Philadelphia, runs the StartupPHL Angel and Seed Funds, investing in local startups like Scholly, an app that helps students identify scholarship opportunities and whose CEO appeared on ABC’s Shark Tank. Philadelphia is an up-and-coming place for tech startups,” Hasty says. “Our goal is to make it the Silicon Valley of the Northeast.”

Grants programs such as Call for Ideas support entrepreneurial organizations in the city like Coded by Kids, which received $16,500 to help develop and pilot a data science curriculum at two city recreation centers. The Hacktory, which ran a series of summer hardware boot camps for area professionals, received a $24,000 grant.

“We want to grow equitably and make sure everyone has opportunity and access to participate in the digital economy,” says Archna Sahay, former director of entrepreneurial investment for the City of Philadelphia. Philadelphia works closely with the Pennsylvania Department of Community & Economic Development (DCED), through the DCED’s Office of Technology and Innovation. The Department’s Keystone Innovation Zone (KIZ) program has played an active role in advancing the Southeast Pennsylvania tech scene. The region has six KIZs and has been instrumental in approving 87 awards valued at more than $5.7 million in 2016, says Sheri Collins, deputy secretary at the
As leading members of Philadelphia’s health care innovation community, we are proud of our shared work to build a healthy, solid foundation for our city. Together, we’re committed to leading the bold, innovative changes that will make the Philadelphia region an even better place for families to live, work, and play.

Celebrating Innovation, Philly-style.

Independence

Health Care Innovation Collaborative
an initiative of the CEO COUNCIL FOR GROWTH
DCED. The program abates most state and local business and real estate taxes in qualifying zones and also provides young Pennsylvania companies with working capital to meet critical needs, such as operating expenses and workforce expansion. The state’s startup IT and life science firms may also qualify for up to $100,000 in annual saleable tax credits. These can be used against a company’s tax liability or sold to other companies that wish to use them.

Tech and life sciences companies are also well-supported. The state’s Ben Franklin Technology Partners program has provided more than $175 million in seed-stage funding to more than 1,750 regional technology companies in the city and region. Philadelphia-based BioAdvance Biotechnology Greenhouse of Southeastern Pennsylvania provides early stage funding to local life sciences companies as part of the state’s Life Sciences Greenhouse Initiative. “Historically, Philadelphia has always been a hotbed of innovation,” Collins notes.

**A TALENT POOL THAT KEEPS GETTING DEEPER**

Philadelphia’s talent pool is a draw for many companies that are gunning for growth. From 2010 to 2015, Philadelphia added more people with bachelor’s degrees than any of the 10 largest cities in the U.S., according to research by JLL. Nearly 400,000

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**A Fast-Growing Company Views The Cloud Through a Unique Lens**

Additionally, Evolve IP delivers highly-tailored services to its customers, customizing solutions around a business’s current and future needs, infrastructure, and applications. The focus works, with Evolve IP achieving 98 percent retention rates. The company averages 4.5 out of 5 stars from nearly 200 online reviews and boasts a 95 percent customer satisfaction rating. The company is using funds from a 2016 investment from Boston private equity firm Great Hill Partners to accelerate organic growth and mergers and acquisitions (M&A) across the globe. The company has also implemented an aggressive strategy to further increase its intellectual property research and development.

Having access to talent has been essential to Evolve IP’s growth, and the company has relied on many of the universities and trade schools in the area to build its workforce. Additionally, the company invests heavily in continuing education for its associates. In each of the last two years, associates logged more than 20,000 hours of training with three levels of technical and job specific certifications. The goal is to keep employee skills current as Evolve looks to lead the cloud strategy conversation for years to come.

**When Evolve IP opened its doors a decade ago, its founding team shared a unique vision. They realized the cloud is not about buying one individual service. It is about having a strategy for multiple services and having them work together.**

To deliver on that vision the company built the Evolve IP OneCloud, which enabled businesses to deploy both cloud computing and cloud communications services on a single, unified platform.

By 2017, more than 1,300 customers in the global marketplace had responded. Today, the Wayne, Pennsylvania-based company has grown to about 300 associates, with more than half based in the Philadelphia region. Solutions from the firm include integrated disaster recovery, contact center, virtualized desktops, unified communications, and infrastructure.

The Philadelphia region enjoys a proliferation of health care and finance enterprises; two industries that are heavily regulated. To support those firms, Evolve IP has made compliance a driving feature of its strategy conversations. Today, the company features third-party audited HIPAA, PCI-DSS, ITAR, and SOC3 compliance among others.
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students attend more than 90 colleges and universities in the region, including University of Pennsylvania, Drexel University, and Temple University.

One such entrepreneur is Apu Gupta, who co-founded Curalate, a digital startup that helps brands use images and videos to introduce their products to consumers on social media. As Curalate has grown to 165 employees in four offices since it was founded in 2012, it has relied heavily on its Philly base for recruitment.

“We were able to find really great software engineers, design talent, and sales people right here in Philadelphia—people who had a real passion for what we were doing and had a real level of hunger to go build something great,” Gupta says.

Relative to other East Coast cities in the region, such as Washington, D.C. and New York, the city is affordable, says Philadelphia Mayor Jim Kenney. In addition, vibrant neighborhoods like Old City, Center City, University City, Northern Liberties, and Fishtown have added to the area’s draw for recent graduates. “The group that used to leave is now staying,” says Dean Miller, president and CEO of the Philadelphia Alliance for Capital and Technologies.

That trend shows no signs of slowing down. Pennsylvania Real Estate Investment Trust (PREIT) is currently involved in a flagship redevelopment downtown, where a new shopping destination will include renowned flagship stores and designer outlets, destination dining and entertainment, and revolving cultural exhibits in a single, centralized location.

Retail startups will be able to open stores in the development, atop one of the busiest rail stations in the city and adjacent to Philadelphia’s top tourist attractions, Reading Terminal Market and the Historic District.

“Having a single, centralized location with critical mass for residents, employees, and visitors of Philadelphia to shop, dine, and be entertained will make Philadelphia a more attractive place for businesses of all kinds, especially startups,” says PREIT Chairman and CEO Joe Coradino.

New development in Philadelphia is spreading to the surrounding metro area, making it an attractive place for young families to stay. PREIT is attracting new-to-market anchors to accompany other unique users, including women’s fashion retailer Zeyzani and the salon Rizzieri, neither of which has operated in a mall before, to its Philadelphia-area Moorestown Mall. Meanwhile, PREIT brought the first LEGOLAND Discovery Center to the region this past April at Plymouth Meeting Mall, which continues its transformation into a differentiated entertainment destination. “We are always looking to bring new-to-market retail, dining, entertainment, and technology partners to our properties,” Coradino says.

**GROWING INVESTMENT IN AREA BUSINESSES**

With New York City’s ample funding coffers just an hour’s train ride away, the city is working on accelerating access to capital.

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**A Serial Entrepreneur Chooses Philadelphia for His Next Venture**

**Even the smallest businesses today are swimming in data, making it tough for their owners to search through the information quickly and efficiently.** Stitch Data aims to change that. The 25-employee Philadelphia startup, founded in July 2016, connects all of a company’s data sources into one central “data warehouse” so they can use analysis tools and machine learning models to mine it.

“You can build amazing reports,” says Robert J. Moore, co-founder and chairman of Stitch Data.

Moore has plenty of experience on that front. In 2009, he co-founded RJMetrics, which helps small and midsize businesses use big data techniques to make better decisions. After the firm was acquired by Magento in 2016, he and RJMetrics co-founder Jake Stein recruited many of their former colleagues to create Stitch Data. “We were able to get some of our best talent on board,” he says.

His strong team caught the eye of investors. The company raised an undisclosed amount from Silicon Valley venture firms August Capital and Trinity Ventures, and its fast growth has already broken the $1 million revenue mark.

Operating in a startup-friendly city has helped, Moore says. “One of the most challenging things we have to do in an early-stage company is to convince people to come work for us,” he adds. “It’s a whole lot easier to do that when there’s a picture of you standing next to the mayor cutting a ribbon on your office.”

Being located in a startup-friendly city helps Stitch Data attract talent.
Making a Mark
EVOLVING PHILADELPHIA’S RETAIL SCENE
With a diverse collection of shopping centers, PREIT is at the forefront of modern placemaking – combining the best in shopping with destination dining and unique entertainment experiences.

Visit preit.com for a list of our shopping venues.
Access to capital continues to be a challenge for many entrepreneurs, especially those just starting out,” Kenney says.

To help them, the Department of Commerce partners with the international nonprofit Kiva to provide small businesses access to microloans of up to $10,000. In addition, the new Capital Consortium, a public-private partnership, helps to provide loans and technical assistance to small businesses, Kenney notes. The city changed its tax policy to support businesses and, in 2016, exempted the first $100,000 in gross receipts for all businesses, he adds.

Philadelphia’s health care ecosystem has been another important hub of innovation and is fueled by a healthy funding pipeline. The city’s life sciences sector received $913.5 million in National Institutes of Health funding, making it a “top winner” in federal research funding, JLL found.

For nearly 80 years, Independence Blue Cross has played an important role in health care innovation in Philadelphia and beyond. “We are committed to developing and supporting the next generation of digital health entrepreneurs and helping our region become a global center for health care innovation,” says Independence Blue Cross President and CEO Daniel J. Hilferty.

Through its Independence Center for Health Care Innovation, Independence runs its design thinking program, Human-Centered InnovationSM, which initially set out to change the way its associates solve complex business problems and is now sought after externally by universities, health care leaders, fellow Blue plans, and others.

Independence is a founding member of several key initiatives to improve the overall health care experience. At Dreamit Health Philadelphia, the first national health care accelerator in Philadelphia, Independence Blue Cross has partnered with Penn Medicine since 2013 to provide coaching, contacts, and seed money to disruptive health care startups nationwide. Through the Health Care Innovation Collaborative, Independence works with major health systems, large employers, and investors to help the region become a global leader in health care innovation by evaluating and implementing health care ideas and solutions. In addition, through the Healthshare Exchange, Independence collaborates with major

The nation’s first capital is a mix of hip, vibrant communities and rich history.

Unique shops and eateries dot the city’s streets.
health care stakeholders in the Pennsylvania five-county region to enable the electronic exchange of patient information to improve patient outcomes and to lower health care costs in the region.

**A HOME FOR ALL COMPANIES**

The regional presence of large enterprises such as Comcast, Independence Blue Cross, Pfizer, SAP, and SEI has been another crucial piece of the puzzle in growing Philadelphia’s entrepreneurial ecosystem, by many accounts.

Comcast—whose venture arm was recently ranked the number four corporate startup investor since 2011 by research firm CB Insights—has played a major role. “We were a startup 50-plus years ago when Ralph Roberts started our company,” says Denice Hasty, chief marketing officer for the cable TV company. “Entrepreneurialism is at the heart of what we do.”

For the past two years, Comcast has sponsored Shark Tank and hosted casting calls in Philadelphia in 2016 and 2017, attracting more than 500 people to each. “Our goal is to provide small business owners and entrepreneurs opportunities to pitch the casting team of Shark Tank and give them a chance to achieve their business aspirations,” says Hasty.

Comcast Business has partnered since 2013 with the Philadelphia incubator and co-working network Benjamin’s Desk, providing a network that provides ethernet, voice, and TV services at four locations in the city. The company also partners with Bunker Labs, a nonprofit that supports veteran-owned businesses. Meanwhile, business unit Comcast NBC Universal announced in March a multi-city initiative called Lift Labs. Comcast plans to host a space for entrepreneurs in its tech center starting in early 2018. “Philadelphia is an up-and-coming place for tech startups,” says Hasty. “Our goal is to make it the Silicon Valley of the Northeast.”

With support for the city’s startup scene so strong on every front, that ambitious goal seems to be increasingly attainable. Through a combination of public and private support, Philadelphia’s startup scene promises to continue its growth trajectory and further fuel the city’s economic and population growth.