

Finding foreign funding

BY VARSHA SARAOGI

Receiving investment when expanding abroad is no less than a mountain to scale. So what can entrepreneurs do to reach the summit and smoothly secure money?

From Pret a Manger's flat white at Penn Station in New York to Fortnum & Mason's gift hampers in Dubai, the footprint of British businesses has been stamped across international markets for decades.

So it's no secret the power Brand Britain wields is immense. This is why, despite Brexit being around the corner, entrepreneurs are continually displaying their resilience by looking beyond British borders. Indeed according to a report by DMCC, a Dubai-based government trade body, 42% of 1,100 UK SMEs surveyed confessed having more inclination for becoming global players in a post-Brexit world.

But companies can't taste success without their fair share of financial and operational hardships. While you might have a breakthrough product, a planned marketing strategy and a dedicated team, money is undoubtedly the number one concern to scale. And whether it entails pitching to a panel of investors, the endless paperwork for a bank loan or using crowdfunding platforms, it's essential to secure money smoothly when going global.

For instance, the first task on your checklist must entail doing enough research on the country you're looking to enter. "Even down to matters of etiquette," says Johnny Hon, chairman and founder of The Global Group, the Hong Kong-based VC firm. For example, small talk and good manners are valued highly in China. "It's vital anyone considering overseas investment does their homework and is fully aware of the complex, unique features of the market they're hoping to engage." Familiarity with the culture not only helps a business owner tap into the target audience but also provides an all-

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important upper hand when pitching the company to potential investors.

Before getting carried away though, it's necessary for entrepreneurs to realise an investor has the power to make or break their business. "The old adage that you only get one chance to make a first impression rings particularly true here," Hon says. In most cases, investors help startups navigate through a number of technicalities like local regulations, government control and specific import or export policies. This is unlikely if you were to borrow money from a bank as they "don't have the critical insider information an investor does," according to Hon. "Relevant investors or advisors mean that you can conduct business and minimise costs in the most effective way."

However, no matter how silver-tongued you may be, convincing an investor isn't easy. For starters, showing tangible results of your sales strategy in your home market is what piques their interest so it's important the UK isn't left forgotten like an unwatered plant once international strategies take root. "If you can prove your concept is successful in the UK, you're already in a very strong negotiating position for expanding your idea abroad," Hon explains. That's what drove him to invest in UK-based loyalty card app developer Bink, as he wanted to "support the technology's growth into foreign markets."

Hon isn't alone in his thought process. Benoit Wirz, an angel investor at Brighteye Ventures, the European VC firm agrees, adding that along with proof of profits, a complete strategy is necessary. "If you can initiate a conversation by laying out a six to 12-month plan and then follow up as you execute on that, by the time you actually ask for money you will have demonstrated

what your investors are looking for – capacity to execute," he advises.

One of the pros UK companies have, even after the detrimental political conditions, they're continually getting funding – increasingly via crowdfunding platforms. And that's what helped Syed Ahmed, CEO of Savortex, the UK-based smart hand dryer business. He used a combination of backing from government startup fund Innovate UK and crowdfunding to access the markets in UAE. "Rather than raising capital through traditional models such as banks or VCs we opted for crowdfunding because that would give us the ability to raise money without losing too much company control," Ahmed says. In this instance he selected Eureeca, an equity crowdfunding platform, where his potential investors were also his target buyers.

But having accepted government funding, Ahmed believes it's not the best method for entrepreneurs. "The issue with public sector money is that the processes are daunting," he admits. "The decision-making process is very slow and when your business is growing, you require capital at a fairly quick rate. It has to be reactive."

However, in terms of crowdfunding, Ahmed wasn't alone in taking this route to great success. Scottish craft beer business BrewDog raised £11.3m using this method to grow across Europe, Asia and Australia and digital banking service Revolut went on to become a unicorn after its initial crowdfunding round on Seedrs when taking the company abroad. Monzo, the digital bank, also crowdfunded and got \$1m within 96 seconds of registering on Crowdcube. Ahmed believes the benefits of crowdfunding for startups are not limited to funds. "Apart from finance, it gives you access to easier routes to markets, possible partnerships and joint ventures," he says.

That's not to say entrepreneurs should just expect to run on hand-outs. Ahmed admits the first step for a startup to gain momentum in a new country is to use their own savings and establish the brand before seeking money. "At the start of any business, bootstrapping is a great way to learn because you understand how to transform your vision to finances," he opines.

Looking at the various pros and cons of all the international investment options available to business owners, making inroads in another market depends upon your point of entry. Given businesses are booming in Britain, it's safe to say UK entrepreneurs needn't bend over backwards for an investment even if there is a no-deal Brexit. "If you're a fast-growing, high-margin business addressing a market in a unique way, your investment prospects will be better across geographies," Wirz concludes. ●