Virtual board

Fixr

Nick Stone, IoD 99 member and co-founder of student events platform Fixr, is looking to increase funding for his business but needs to convince investors of the potential of Gen Z. How should he go about doing it?

Words Behiye Hassan

In 2012, Nick Stone and his colleague Edmund Glover were working for an investment bank. But both harboured entrepreneurial aspirations so they decided to put their heads together to come up with an idea for their own business.

"At the time, apps, particularly taxi apps in London, were exploding," says Stone. "We saw the drive towards mobile applications and their potential to unlock certain services. We came up with the idea of applying it to getting into nightclubs and digitising the experience."

Their app Fixr would cut down the physical transactions for both customers and nightclubs. Customers could use the app to buy tickets, skip the queue, and then be scanned in. Fixr would take 10 per cent of the ticket sales, while data-sharing means nightclubs could better understand their customer base.

Before launching, Stone and Glover's first step was to get two more people – one with financial expertise, the other technical – involved in the business. "Hugh Hudleston went to university with Ed and happened to work at the same bank as Ed and me, but in a different team raising money for small business," he says. "While Dominic Marmont, our chief technology officer, was known to Ed and Hugh through friends and had the technology background that was vital for us."

Their next step was raising money from contacts to add to their own funds to launch the business. "Our backgrounds in finance very much helped when it came to raising money for businesses," says Stone. "We also had people working for free as not everyone was in a position to leave their full-time job."

Nick Stone, co-creator of events app Fixr

They went to market in late 2013 with around £85,000 but soon discovered a flaw with their business model. "It didn't work very well because we found that the nightclub demographic was used to doing things the traditional way – paper tickets, cash on the door, e-tickets," he says. "So for the first six months or so we made very slow progress and it just wasn't really working the way we had intended."

Looking back, Stone regrets not seeking advice when starting the business. "With our backgrounds we felt confident that we could pull this off together but with hindsight you realise how much we've had to learn since then," he says. "I wish we had sought more mentorship and advice earlier on – it would have been helpful."

CV

Age 37

Education Bristol University (Law) and Nottingham Law School

Career Stone was a lawyer for four-and-a-half years before moving into banking and working for small M&A boutique West Hill and mid-cap broker Matrix

Hobbies Running, DJing, travelling

He advises other entrepreneurs not to make the same mistake. "When I look at the networking events and the way the community has evolved, I think it's fantastic how much support and advice is now on offer," he says. "I would advise anyone to seek that out as early as possible before you make the commitment and start your journey. I don't think you can ever have too much advice."

The breakthrough for Fixr came when it ticketed an end-of-year ball at St Andrews University in Fife. "Two of the founders went to university there and we were able to secure an allocation of tickets for their end-of-year ball," says Stone. "Surprisingly, for events like these, students were queuing overnight to get a paper ticket, and organisers were dealing in cash and cheques for payment – an inefficient process."

It was a good opportunity. Fixr digitised the whole process and tickets sold out in 10 minutes. "We did more trade in those 10 minutes than we did in six months," he says. "It showed us that this is probably where the opportunity lay because you had a concentrated user base who were very tech-savvy – they understood mobile and understood apps."

Stone and his co-founders made the decision to focus solely on the student demographic, with an integrated web and mobile platform. "As a result everything became clearer: the vision was clearer, the goal was clearer and it just allowed everything to centre around that," he says. "It brought everything together and also meant that our messaging to consumers and clients was much clearer."

Since that refocusing, the business has seen tremendous growth and success in the last 18 months. Fixr now operates in 20 universities across the UK with its user base and transaction rate growing rapidly month by month. "We now have 12 paid full-time staff," Stone says. "Last year we grew sales and ad users by 300 per cent and we're transacting at a rate of about £6m net sales on an annualised basis. The business is poised to be in 45 universities by the end of this summer."

Fixr has also gone through multiple rounds of funding and increased its shareholder base. "We have a number of high-net-worth individuals who have invested in the business," says Stone. "We've broadened our shareholder register as we've grown and accessed different sources of capital. So we also have a small VC, an institution and a family office involved."

He is still seeking further capital, and warns that other entrepreneurs must be realistic about how much money they will need for their business. "It is very distracting having to raise money for a business," he says. "You either need to be prepared to raise a sufficient sum to start with or expect to have to go without cash for a while until you get to where you want to be."

This brings Stone to his question for this month's panel of experts, which focuses on Generation Z, the demographic born between the mid-1990s and early 2000s who happen to be Fixr's target market.

"There is huge excitement around Generation Z and their spending power," says Stone, "but it's still early days for brands understanding how best to connect with them." How can he communicate this opportunity to investors? Over to this month's panel...

What would you suggest to Nick? To join our virtual board or to seek its advice, contact us at **director-ed@iod.com**

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Nick Stone is a member of IoD 99

EXPERT ANSWERS The potential of Generation Z is enormous but unproven. How can I best convey this to investors when the data is not yet fully formed?

Anna Sofat Managing director, Addidi Wealth

There are two things to consider: whether the business model is to follow Generation Z throughout its lifecycle or if it will always look to target university students.

If the latter, then it needs to map out the market and look at opportunities to use its data for advertising or sponsorship. There are two obvious potentials here: financial services – many companies, such as banks, look to engage with graduates to capture them as clients while they are young; and recruiters and companies looking to recruit graduates. There are existing providers in both these markets, so the business will need to consider what it can provide to potential advertisers over and above the existing player.

An alternative model would be to focus on retaining Generation Z and see how else the business can meet their need for, say, entertainment – can they extend the model to incorporate other types of events this generation might want to book through the site?

While the business determines its model, it is worth remembering that as Generation Z grows up, its earning capacity will increase.

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John Courtney Chairman, Stockwood Ventures Ltd

Generation Z has different attributes to other generations but they are still a target audience. You just need to focus on their characteristics which are more altruistic and resourceful than perhaps other generations. Also, messages need to be communicated in a direct, visual and succinct fashion across multiple platforms, mainly social media and YouTube. But that's the target audience, not the investors.

Investors themselves still need the basics in order to make a decision to part with their cash. Is the team of real quality and can any gaps be easily filled? Is the business model robust and scalable? Above all, remember the question investors ask themselves, 'What's in it for me?' So, show them how they can make money through a well-researched and presented slide deck, a clear USP, an identifiable target audience (sounds like this one is sorted), and solid financials, both actual and projections.

The company has a variety of investors already, so be really clear about how much money you want and need to raise at this stage, and treat it like a marketing exercise, which it is. So, who are your target audience, angels or VCs? And how are you going to reach them, directly or through a corporate finance advisor? (The answer is probably both.) Be prepared for the nasty questions and have answers ready. Be as focused as they will be.

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Nick Carlile Managing director, Platinum Portfolio Builder

As someone who's worked with investors for over a decade, and in property for over two decades I've learned a lot about raising finance. There are some key rules.

Firstly, be yourself. If you've watched *Dragons' Den*, you'll notice there's no rhyme or reason as to why some people are liked or otherwise. Most investors will invest as much in the person as the product, and genuine people tend to get the investment more often.

Also, tell the truth. Investors can smell bullshit a mile off, and will instantly be turned off. Even if the product's the best in the world they'll worry about the integrity of working with you. Some of the challenges you have with your product may even be appealing to the investors as easy things to fix, that'll add value.

Make it worth their while, too. There has to be a commercial reality to what you're offering, matched with the risk associated with the investment. Typically, in the early days, we'd offer more than we felt we needed to, as securing the first investments are key.

Finally, know your exit options and timescale. In every investment we offer, we know the timescale for exit quite clearly. This gives investors certainty on when they'll be repaid. Build contingency into the timescale.

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Stone's response The suggestion to look at financial services and graduate recruitment is great to hear, since it's something we're actively pursuing. It is early days, but there is real interest in how our platform might offer brands and sponsors a new way to engage with students. This presents an exciting new opportunity and, to John's point, it is important we scale in a focused way. The flexibility of our platform, and ability to move into other business areas, demographics and geographies, provides huge expansion potential, but our resource and capital bandwidth requires we evaluate strategically. The next 12 months should prove very interesting.