

Win plum work from upsetting the apple cart

Business Challenges

Young start-ups can afford to take a maverick approach to nibble off a market share, writes **Jonathan Moules**

If you want to get ahead in business, you sometimes have to put a few noses out of joint.

In the case of Duane Jackson, founder of Kashflow, the online accounting software business, this took the rather extreme form of publicly burning the CD-Roms provided by the established player in the market, Sage.

"We said to people 'If you send us a copy of Sage, we will give you our product for a year and we will build a bonfire out of the boxes'," Jackson explains.

The resulting video clip on YouTube of the technology pyre attracted tens of

thousands of hits, generating customer leads for Kashflow.

"As a small company, you can afford to be more controversial," Jackson says. "If we had had a legal team, they might not have sanctioned this."

Jackson has been able to punch above his weight. In spite of having only 22 people on Kashflow's payroll, he has Lord Young, the former trade secretary and enterprise czar, as his chairman.

A lack of cash often makes you more resourceful, Jackson adds. For example, Sage has a corporate presence on Twitter,

whereas Jackson posts his thoughts from his own account, which he claims makes it more personal for the small business customers he is trying to attract.

The problem with being a young upstart such as Kashflow is that you can also damage your chances of doing business with your rivals if the need arises.

Jackson admits that he might have been a bit too personal in the past in his attacks on Paul Walker, Sage's chief executive.

"At the moment, we are looking for a strategic software partner, but we won't go anywhere near Sage



because it would never undertake to work with us.

"If you want to be acquired by someone, it might help to be a thorn in their side ... but we became a dagger in Sage's side."

Philip Letts is also taking on established industry players with Blur Group, his venture that aims to be a marketplace connecting companies with advertising and marketing agencies.

The tiny company, operating out of a studio in London's Westbourne Park district, started trading just 15 months ago, but turned over more than £1m in its first year and has a client list including Ralph Lauren, Sega and CNN.

"You need to make sure

We will always make ourselves available to clients, even when we are not working with them on a project'

you can deliver before you talk to people," he says, noting that he began working on Blur several years before, making sure he had a critical mass of hundreds of agencies able to pitch for work, before launching the venture.

Letts and his team built five separate exchanges for different segments of the market he wanted to address, to make sure that others did not develop copycat sites while Blur made sure its systems worked.

"Initially, we didn't connect them, so nobody knew it was us behind them all," he explains.

Letts has some experience of disruptive start-ups both in the UK and Silicon Valley, not all of which were

successful.

During the dotcom boom, he was chief executive of Beenz.com, which had aspirations to be the web's currency. He helped raise nearly \$100m and moved the company's offices from London to New York, but the company later collapsed into bankruptcy.

Letts claims that one of the biggest problems for UK-based companies such as Blur is finding the right people to manage the rapid growth of a disruptive business with the need for constant vigilance and the ability to change quickly.

"You predict that you are going to have 100 customers hit your site and you have 1,000 customers instead. You have to manage that," he says.

It is the relative scarcity of these people outside the Bay area of San Francisco, rather than the differences in venture capital availability that make Silicon Valley such an attractive place to start up disruptive businesses, according to Letts.

"In Silicon Valley, you have this wonderful group of people who have worked in high-growth businesses, which you don't find in New York or London," he says.

One of the big advantages of a small business is its flexibility. Ian Makgill, founder of Ticon, the consultancy firm, has just eight full-time staff, but has been able to beat the likes of Deloitte and Ernst & Young by being imaginative with his resources.

Makgill cannot compete with the seniority and experience of the top partners at the large consultancies, so instead he often offers the services of an academic who has helped compile

research for him.

He also cannot compete on price, so he aims to go the extra mile for clients. In one case, a client asked for a research project across six countries. Ticon offered to do all six while its larger rivals said they could only do three for the price.

"We will always make ourselves available to clients, even when we are not working with them on a project, just to show that we are there and we care," Makgill says.



Ask the Experts

Make yourself disruptive

Arnaud Bertrand, founder and chief executive of HouseTrip, a website for short-term rentals

"The main weapons that start-ups have to disrupt a market are speed and flexibility. You can fail, but fail fast. Also improve fast and be fast in all areas.

"Something doesn't work? Not a problem. Change it. The same thing is true for people.

"Another important thing is your mindset. Failing is not an option. Never ever give up. If you start to think about giving up, it's over.

"Last, it is very important to be surrounded by the very best people. It's always a team effort."

Saul Klein, (right) co-founder of Lovefilm, the DVD rental service, and a partner at Index Ventures, a private equity firm

"First, you have to be focused on a big enough market. Probably one of the most disruptive businesses in the UK at the moment is Wonga, which provides short-term unsecured personal loans. The personal credit market in

the UK is worth £80bn.

"Another aspect of very disruptive businesses is their price. Skype is a massive price disruptor by offering phone calls over the internet for free.

"The other very important aspect of successful disruptive businesses is around the service they deliver and the quality of the product – something that is fundamentally better than what is already available.

"Some of the most disruptive consumer businesses look at their net promoter score, which is a



methodology developed by management consultancy Bain & Company and provides an independent view on how much their customers like their service."

Jos White, co-founder of Notion Capital, a private equity firm

"You should never allow yourself to be intimidated by big competitors, as you will never be able to avoid competition and you should not want to.

"As a smaller company, you will have a lot of competitive advantages in the focus, care and attention you can give to customers. Larger companies will never have the agility of a smaller company and it's a fantastic opportunity to deliver a better quality of service and take market share directly from the competition.

"If a bigger competitor responds to you with posturing, it means that they see you as a real threat to their business and you are doing something right."





Put yourself in the frame:
Philip Letts of Blur Group,
pictured with some of his
own photographs. Daniel Jones

