

This PR Company Makes Equity Crowdfunding Possible

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If you're a regular reader of *Exponential Investor*, it can't have escaped your notice that we're very interested in [crowdfunding](#). I admit I'm biased – as I spend much of my “day job” working with firms that are raising funds this way.

Today, we're focusing on the crowdfunding industry, as a whole. One firm that's heavily involved in this space is TribeFirst. It's a marketing and PR company, which provides support to companies conducting a crowdfunding raise. I spoke to John Auckland, its CEO, to find out how this new industry is changing the UK's investment landscape.

Disclosure: I've previously made structured loans to TribeFirst, and introduced clients. It's not paid for this publicity, nor do I anticipate obtaining any personal financial benefit from it.

AL: John, tell me more about TribeFirst.

JA: At its heart, TribeFirst is a marketing and PR company. We just happen to specialise in a very narrow area – startups that are looking to raise money via rewards or equity crowdfunding.

AL: Can explain the two different types?

JA: Rewards crowdfunding is just for fans – people who want access to special products and promotions. Equity crowdfunding is commercial. It's for people who want to buy shares or bonds in a firm, to make money. However, many equity crowdfunding backers are also passionate supporters of the firm. One of the key reasons firms use crowdfunding is that they want to be owned by their customers and supporters.

AL: So what do you actually do?

JA: We help firms to get on to the platforms in the first place; support with producing their pitch materials; then run a marketing and PR campaign during their fundraise. This promotion brings exposure to the brand, and drives traffic to their campaign.

AL: Where did you get the idea in the first place?

JA: I had the idea at my previous agency. A former F1 team (Brabham) was looking to bring a disruptive new idea to the motorsport market, and they approached us to help them with it. They wanted to find a different way of engaging with race fans and sharing information. They were even looking to crowdsource some of their engineering problems. We identified that crowdfunding was the best way to raise funds, so I found myself working on my first campaign. The campaign was a huge success, raising nearly £300k off the back of an idea alone. I quickly caught the bug.

Due to the success of this campaign, we started getting approached by a number of startups that needed marketing support for their campaign. Surprisingly, most of them had been left high and dry by their existing agency. I realised it was a common problem, and that a lot of people that were asking for help were being let down. I explored in more detail and realised the problem was down to agencies taking on speculative work when they had downtime, only to drop it when they became busy. The market was being poorly served, so I launched TribeFirst in a bid to resolve the problem.

AL: Sounds great, but why should an investor care?

JA: The whole premise behind TribeFirst is to provide startups with quality, intensive marketing and PR support. This is something that only large companies can ordinarily afford to pay for – something that often gives them a competitive advantage over smaller brands.

Once this process is being done properly, it becomes a very good test of the quality of the business, and its idea and message. If we can't get traction during a very public crowdfunding raise, then it tells entrepreneurs a lot. It means that for some reason the public isn't engaging with the brand, the idea or the business model.

The same is true for investment opportunities. If you can't persuade the crowd to invest in an idea, when they are receiving generous tax breaks in the form of EIS [Enterprise Investment Scheme] or SEIS [Seed Enterprise Investment Scheme], then clearly they either don't like the idea, they don't understand it, or they don't believe in the team that's running the company.

We work on a mostly risk/reward basis, so we live or die by the success of our clients' campaigns. As a result, we need to be incredibly selective over who we work with. Everything TribeFirst does is a barometer of potential future success. If a company funds easily, markets well and is picked up by the press, it's an incredibly positive sign that the company has a bright future. That's true for all crowdfunding firms – but I like to think that using TribeFirst means that entrepreneurs get to present their firms as effectively as possible.

AL: So how do investors spot the signs of a good EIS or SEIS opportunity?

JA: Clearly any early-stage company is a high-risk investment opportunity. There's no debating that. I honestly don't think there's any way of knowing for sure if a company will go on to succeed at such an early stage. However, I do believe you can spot potential – and this is mainly based on the founder or management team. You get a sense of whether they're likely to be able to drive their company forwards, with a tenacity and resourcefulness that's needed to overcome likely obstacles. We assess our clients' founders on their ability to present their ideas as much as we appraise the idea itself.

AL: From a political and regulatory point of view, what changes do you anticipate in UK crowdfunding?

JA: There are rumours of a government review into UK crowdfunding regulations. Although that's probably been put on the backburner given recent events, if this review does go ahead it could go one of two ways. The government might decide the rules are too lax, leading them to regulate the sector into oblivion, or they could feel we're on to a good thing and provide more financial and legislative support to the industry.

AL: Is there any danger of the government shutting down crowdfunding?

JA: I can't see them doing it. The evidence suggests that innovative UK startups are adding huge amounts to the economy. Even with fears around Brexit, London can arguably call itself the capital of the European startup scene. The government might have a regulatory review, but until now regulations have been created as part of a collaborative process with the major platforms, so I don't think we'll see reckless changes.

AL: How is the industry currently evolving?

JA: Equity crowdfunding is still a contentious subject in the world of finance, with some seeing it as a passing fad – and others staking their careers on it becoming an established industry. When a market matures, you will typically see a supplier ecosystem start to materialise around it, which is happening with crowdfunding. As well as experiencing a trend towards a long-tail of niche platforms, we're seeing crowdfunding consultants, accelerators and training companies pop up all over the place. Some big brands like Virgin StartUp and WeWork are entering the space, albeit tentatively for the moment.

Please let us know your views – andrew@southbankresearch.com.

Best,

Andrew Lockley
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PS Tomorrow is the big day of our "The War on You" conference. If you're attending, or even if you're not, you can get an inside view on the important ideas we're discussing with the hashtag **#WarOnYou2017** on Twitter.

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