

ETHICAL FASHION FORUM

Master Class- 23rd June 2009

Funding and Finance for Ethical Fashion

Speakers:

Tamsin Lejeune

Funding Options for social enterprise
Best practice case studies
Sponsorship

Chris Powles

Raising funding from private investors

Ben Ramsden – Pants to Poverty

Hitting the headlines with your brand- to generate traffic to your website and increase sales

Cyndi Rhoades – Worn Again

Partnerships - how to approach big brands and open doors for your brand.

Programme:

Start Up Funding

Loans, grants, angel finance and investment, case studies of best practice models and general overview

Successful Business Models- finance through sales

Business structure, business plans, USP, Sales, Marketing, Cash flow

Finance to Expand

Investment, partnership and sponsorship

Tamsin Lejeune – Funding options for social enterprise, loans, grants, sponsorship and investment

Funding for a Social Enterprise-

UnLtd, Awards for all, Esmée Fairbairn, Small business grant schemes

Easy to attain application forms which are relatively easy to fill out, concentrate on matching your goals to those specified by the organisations. UnLtd 2nd level award includes living cost expenses.

Loans for social enterprise with preferential terms-

Bridges Ventures, Venturesome, Princes Trust, Mainstream banks for social enterprise

These companies tend to look for Social or environmental goals within your business model. Try to negotiate soft term loans- so that the organisation works with you to help you pay back the loan. The majority of mainstream bank loans for social enterprises are marketed with extra services, shop around to make sure you are getting what you need.

Social Investment-

Seek investors in the social and environmental goals of business

Make sure the investors are interested in your goals of the business. An example is Juste who made their business plan into a marketable booklet which outlined the social and environmental goals and the projections of the business, as well as what benefits are included for the investors.

Top tips for Sponsorship

How can you offer what your sponsor wants?

Organise meetings, talk about what they want out of the relationship and what you can do to provide this

Networking

The best way to secure sponsorship is through people, connections with people who know your work and like what you do, and develop this level of interest.

Start with a steering panel/ board-

Share ownership of the venture with those who invest, through alternatives. E.g. Re: fashion awards, board members/judges.

Spend time on investment package-

What will it deliver for your sponsor?

Try to engage celebrities or high profile people.

Remember that you are not asking for a donation, you are selling a valuable marketing opportunity.

Chris Powles

Has been involved in setting up unusual investments through business angel companies and worked with organisations like Pi Capital. Through this work he helped create ethical shopping site Adili.

Differences between private investments for businesses:

Within Private investment there are two options:

Lifestyle companies	Commercial companies
Private investors, (usually friends or family), not looking for aggressive financial return.	The Investor is looking to make return on investment through shares or loan interest.

Tips for contacting investors

DIY approach:

Networkings, attending social events etc, make sure you follow up every contact made. These contacts could be through colleagues or personal contacts. Research into business goals etc, and who would be connected with that.

Marriage beauraux / introduction agency*

These agencies introduce businesses to potential investors, usually through social events. They are interested in both parties, and therefore try to find matches.

Finance advisor*

Works solely on your behalf, therefore trying to get you the best deal with few drawbacks.

Investment club*

Work for the behalf of the investors, is set up a lot like 'Dragons Den'

*These options more often than not come with fees, which are usually taken on success – Don't expect the work to be done for free, usual charges are between £300 and £500 with between 2 and 3% success fee.

Tips on the business plan

- Make sure it makes sense! – find critical close friends to read plan before final draft is finished.

- Be self assessing- outline weaknesses, and find people to fill these weaknesses. E.g. finances/marketing
- Be self confident
- Keep the body of the Business plan short, between 10 and 14 pages- put details e.g. CV's etc in appendix
- Ensure the Financial management of the company is controlled by one specific person
- Make sure it is communicated clearly

General information on Tax Relief

Search on the HMRC website for 'Enterprise Investment Scheme' - they are very helpful and include a Business link which will give you a free consultation.

The government promotes small businesses by giving investors tax relief.

- 20% income tax relief
- Lots of capital gains, 40% back as loan for period of investment
- If investment is a write off, the investment is off set through income tax relief.

BUT! If the investor doesn't have the right shares, or is investing in the wrong type of company the tax relief is taken away.

Lessons learnt and tips:

Be sure you want to raise the money in the first place- committing to raising funds have implications such as; it is a huge distraction from the main goal of your business, finding funding opportunities takes up a lot of time. If you are invested in, it will mean that someone else is in financial control of your business.

Make sure you have a clear understanding of where ideas align and where they do not. If issues arise, try to sort them out ASAP.

The right investors will bring more than just money to your company - Make sure there is VALUE ADD- e.g. contacts, knowledge etc.

Sell your USP to your investors

Negotiate a stake – test the market with perhaps 2 or 3 different offers and find out the terms that others are willing to offer

Make sure you know your customer really well.

It will always take longer and cost more that you think, and it will take longer raise the funds as well.

Ask for more/raise more money and have a contingency plan

KEEP AT IT!

BEN RAMSDEN- PANTS TO POVERTY

Brief introduction to Pants to Poverty

Pants are funded by sales and aim to engage people in issues surrounding poverty. Pants to poverty started with £3,000 which was turned in to 11,000 pants, which were sold in 6 months. We applied our campaigning principles throughout the supply chain- and had a fresh outlook on supply chains as we were activists coming into the fashion industry.

Pants to poverty launched officially 18 months ago and are now selling in 16 countries in 69 shops.

How do you manage to generate sales up to 1000 units a day as a new brand?

We have a product that represents what we do and what we want to achieve-

We truly believe in what we are doing which in turn creates fashion that people can believe in.

We make our pants accessible through, good quality, competitive pricing and a funny concept.

We have managed to gain support from within the industry and this is immensely important, as it has provided support through pro bono work from both legal and advertising sectors. We also pay people with pants

Plans to develop business model

Pants to poverty want to create a community from farmer to consumer, giving ownership to stakeholders through crowd funding. Their aim is to bring everyone together, having a transparent supply chain and to support farmers, e.g. farmers from within India's 'suicide belt' who are suffering from unfair trading and financial pressures.

Pants to poverty are building on the already strong relationship within their supply chain, where Pants are in constant contact with all levels of supply chain. The benefit of this is that they are able to monitor how the people who make their pants are treated.

Key tips:

Do what you believe in

Reflect what you believe in through how you conduct your business

Realise that if you do well, you have to pass it on

Trust people- surround yourself with a good team that you trust

Don't wait until you are ready

Have someone that counter balances you.

CYNDI RHOADES – WORN AGAIN

Brief introduction to Worn Again

Worn Again is an up-cycling bags and accessories company that started from a partnership with Terra Plana using materials that would otherwise be in landfill sites. They have managed to secure collaborations with big name brands that bring benefits such as advertising and brand recognition. This link with big brands works both ways as it gives the collaborative partner eco credentials, which is becoming more and more important within the mainstream sectors.

They have recently changed from a standard business model to a business and services model where they offer to investigate a company and suggest ideas of what they can do with their waste.

Worn Again are moving towards non-season concept, changing materials through new partnerships rather than changing the design every season. They see it as their responsibility to change the 'goals posts' e.g. if the amount of recycling gives you enough to make only 77 units then that is how demand is managed, not through minimum orders.

How did you decide which brands were most relevant to develop partnerships with?

They are happy to work with any company (apart from arms/military) as the end result is reducing landfill waste. The companies they have collaborated with so far tend to have uniforms which give them a lot of raw material volume but all in consistent colours and fabrics, making the construction process easier.

How did you approach these companies?

The collaboration with Virgin started through a marketing phone call and then relationship grew organically.

An employee from Euro star approached Worn Again, after hearing of the services Worn Again provide- consequently it is not always successful to go straight to the CEO of a company, sometimes finding an 'insider' can help secure a successful partnership.

The benefits for Worn again-

Up until now, it has just been about selling the products, now they are developing stronger relationships with their partners, and recycling their waste into products they can re-use e.g. old Euro star uniforms into bags for Euro star current employees.

This method provides a story behind the product, which makes it more appealing to both the media and consumers.

Through brand recognition it is possible to cross from the eco consumer to the mainstream consumer market.

The partnership provides an alternative side to those companies that are previously seen as just 'big corporate companies' latching on to a smaller eco company and taking responsibility for their waste gives them credibility.

Key tips:

CONTRACTS are important

Be aware that partnerships can become negative

When engaging with a big company propose a pilot scheme first, this is much more likely to be accepted.

Utilise the other company's added value, PR and marketing capabilities.