

Why raising capital needs to become more inclusive

Founding a business is never easy, but what happens to those who face hurdles from the very beginning because of their race, gender or socioeconomic status? Vanessa Martins Lopes, CEO and founder of The Wild Curl, shares her views.

The resurgence of Black Lives Matter to international phenomena and the correlation of black people being at higher risk of dying from Covid-19 raised a lot of questions about inequality during 2020. People across the globe are engaging in discussions of diversity, equity and inclusion from dinner tables to board meetings. Of all the approaches, diversity in funding seems to be the most shocking. Underrepresented founders' inclusion in VC funding is abysmal. Less than 1% of venture capital investment in the UK went to black-led businesses across the last 10 years.

For any first-time founder, raising capital is no picnic, but adding an unprivileged background into the equation and it suddenly turns really hard. We, black female entrepreneurs are on the bottom of all, receiving only 0.02% of VC funding.

However, the challenges I've faced as a black female founder in raising capital doesn't come just from lack of investor diversity. If you are a founder from a low social-economic background, it means that speaking investors' language will be a challenge. It is a world you were probably never exposed to.

The time is now for positive change

There are many aspects that need improvement in order to be able to provide overlooked entrepreneurs – such as female and black and minority ethnic (BAME) – more opportunities. I believe the first steps should be introducing entrepreneurship into education from an early age. Too often, teaching these kinds of skills and attitudes towards entrepreneurship are left to the family, where the background plays again an important role.

Even today, more than two-thirds of all European countries integrate entrepreneurship education as an optional subject. I have learned all my entrepreneurial skills and mindset from my fiancé, whose family has always been adventurous business owners. Without him, I don't know if I would be where I am today.

Additionally, even though my home country, Finland, is considered to have one of the best education systems in the world, you will not learn the entrepreneurial mindset if it doesn't run in your family. Too often I have heard: "starting your own business is not worth it. You have to work five years in a row day and night without any benefits and eventually, the taxes will kill you."

Building relationships with investors

There is a vicious relationship-driven cycle for underrepresented founders to have investors in their network and vice versa. Investors need to up their game when it comes to sourcing and investing in diverse founders and employing diverse talent. Also, if underrepresented founders don't have the same access to the capital, they will be less likely one day to become angel investors or VCs.

According to data from Diversity VC, only 3% of VCs in the UK are Black, and only a very few of these are partners or people with decision-making capability.

Due to the lack of investor diversity, as a founder providing services for an overlooked industry, I often find myself having to over-explain the need for my products and justify that there is a demand.

The opportunity of a curly hair care market should already be indisputable taking into consideration the world's population diversity of today. Eventually, we will all have curly hair. Despite the obvious, if an investor doesn't recognise the opportunity and it's not something that they're familiar with, securing

investment will be understandably very challenging.

How can raising capital become more inclusive?

In one month, The Wild Curl crowdfunded over £95K through Crowdcube with the help of 304 investors around the world who have placed their trust in the brand. It is amazing to see that there are still people who are open-minded and supportive of good ideas and passionate founders without necessarily being core consumers themselves.

Seeing investors that want to jump on board to change the hair care industry for the better and help us to cater to the underserved market just warms my heart. We have grown now to a family of 304 new shareholders from 27 different countries. We are extremely grateful for all the support we have received.

There are some great initiatives already in place to ensure more equal investments across founders:

Andy Davis, previously an angel investor in Atomico and director of London accelerator Backstage Capital, launched The 10x10 Fund, a pre-seed fund investing in exceptional black founders in the UK. It is amazing to see that Andy Davis is also running educational events for the founders so they would be more confident going into a pitch.

Ada Ventures launched in 2019 with a \$34M fund, aiming to invest in overlooked founders. However, it is not just a VC – they also launched Ada Angels to answer the lack of diversity in the angel community, which is even less diverse than the VC world. This is extremely important capital for early-stage companies.

Impact X Capital is a venture capital vehicle that makes direct investments in startups founded by black and female leaders in Europe. This is the first VC I've seen that has a team from ethnically diverse backgrounds.

These are great initiatives and I am happy to see them getting momentum. However, I would love to see more done in the educational sector from governments. Being a good founder and running a successful start-up is a skill that can be learned, not only born with. They should be introduced early-age to scout and harvest more talent. This would aid with the diversity dilemma that we are now facing due to racial and social-economic disparities. In the end, education is the key.

Vanessa Martins Lopes is CEO and cofounder of The Wild Curl, which just raised over £95K in equity crowdfunding through Crowdcube.

