

Understanding the consumer to build world-class brands, a profile of Active Partners

With #QVCS, Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we interview Jason Mahendran, Senior Investor at Active Partners.

Active Partners was founded in the early 2000s, originally as a single-family office, with a mission to support the best consumer entrepreneurs in the UK and unearth the iconic brands of tomorrow. The team has grown from our three Founding Partners to 15 of us, most of whom have joined in the last five years. In our early days, we were one of the first investors in Soho House, Rapha, LEON and Finisterre when they were much lesser known. We had the privilege of partnering with them and supporting their growth into the global brands and household names they are today.

I joined Active in 2016 in the early stages of our evolution from a family office to a fund-based strategy, and over the last six years, I've been involved in a host of exciting investments and partnerships with incredible founders. I currently sit on the board of Honest Burgers (British burger restaurant), Taylor & Hart (tech-enabled personalised fine jewellery), Piglet in Bed (sustainable homeware), Facetheory (clean skincare), Subdial (pre-owned luxury watches), TALA (sustainable affordable activewear) and Puttshack (experience based hospitality).

We invest across all stages of growth and take a flexible approach to our partnerships.

We're currently investing from two funds - our larger Growth Fund for businesses that are poised for rapid growth where we invest between £5M-15M and our Seed Fund which backs early-stage brands, technologies, and platforms with cheques between £200K-750K. Our Growth Fund takes a different approach to "traditional" VC, making a small number of investments annually and working closely with each partner brand to successfully scale the business.

Which sectors are you focused on?

We are a consumer specialist fund. Our investment thesis centres on backing businesses across the whole consumer landscape that are mission-driven with exceptional levels of product quality and service at the core. We look for brands that are redefining the consumer experience, whether that's through creating entirely new categories or challenging large markets ripe for disruption, which have the potential to be the iconic brands of tomorrow.

We know that a strong brand creates long-term value creation, so we look for businesses that are experiencing high levels of consumer engagement and building strong communities. More than ever consumers are seeking to connect with brands that uphold their values and have a point of view so placing community at the centre of everything brings your consumer along on the journey and sets you apart.

Can you talk about your current portfolio?

Our current portfolio is made up of businesses across the whole consumer landscape, from hospitality (Honest Burgers, Secret Cinema, Puttshack), fashion, apparel, and accessories (Finisterre, TALA, The Fold, Cubitts), education (Code First Girls), homewares (Piglet in Bed, Vinterior), luxury (Taylor & Hart, Subdial), beauty & wellness (Facetheory) and travel (Context, TravelLocal).

Alongside a breadth of sub-sectors within the consumer ecosystem, we have invested in several different business models from D2C brands (online and via bricks & mortar) to marketplaces and B2B2C models. Tech is rapidly changing the landscape of the consumer industry, which determines one of our focuses on tech-enabled and tech-driven consumer solutions, but without losing sight of the value of real-world experiences and propositions.

We've made several investments this year that we're really excited about. We recently announced our *investment in Code First Girls*, an education company that supports women into coding education and employment for free, addressing the gender gap in tech and accelerating opportunities for women to enter the tech industry. They partner

with blue chip companies and public bodies like NatWest, Goldman Sachs, Deloitte, and GCHQ to place women in tech jobs and have a target to support one million women to learn to code and into employment in tech in the next five years.

Earlier this year *we invested in TALA*, the sustainable activewear brand founded by fitness entrepreneur Grace Beverley. Activewear is a significantly underserved part of the sustainable fashion movement and TALA is on a mission to make it more accessible from a price point of view. We also recently announced our first investment from our seed fund into healthier-for-you sweet bakery brand Urban Legend. They are revolutionising junk food by using cutting-edge food science to develop lower-calorie sweet treats and have just signed a major deal with Tesco.

What do you look for in a founder?

Founders bring the magic to a brand. They have the vision, drive, and ambition to build something truly differentiated. So, we are always looking for that spark, passion, and commitment from Founders to solve a real problem for a consumer or offer something new that will change a consumer's life for the better. Different Founders will naturally have different strengths, or areas of interest, so we're also looking for leaders who want to combine their talent with subject matter experts, and people who are bought in to a partnership approach.

What does the future look like?

The consumer economy has been through a period of rapid change over the last few years, driven by the pandemic and changing consumer priorities. There is now even greater focus and importance on conscious consumerism and emerging brands must think about building a business that has sustainability integrated throughout the business, rather than a nice to have.

The pandemic also accelerated the consumer shift to online and DTC brands saw a huge increase in demand and investor interest. This year we've seen DTC brands fall out of favour with some investors due to a perfect storm of privacy, covid overvaluations, a return to physical stores, and broader market conditions. We believe that digital remains vital for businesses, but DTC has been misunderstood as a business model – it is one marketing channel of many and one route to market of many. Brands today now must think more cohesively about their omni-channel presence and be present where their consumers are, reflecting the complexity of customer journeys today.

One area we're excited about is wellness, from mental and physical to financial wellness. There is lots of innovation happening in services and platforms that improve access for users in growing categories, driven by some inspiring entrepreneurs.

Lastly, I think any conversation about the consumer sector at this point has to consider the current economic climate. Our perspective is businesses that are truly differentiated with a clear proposition, and that have built strong communities of loyal followers will stand out. We're working closely with our founders to navigate this environment and prioritise where to focus efforts. We're confident that there are plenty of opportunities out there for consumer entrepreneurs and we're seeing lots of amazing businesses tackling real-world consumer problems across the whole sector.

What makes Active Partners different?

We put a deep understanding of the consumer at the heart of what we do and then think flexibly about a business model anchored in that understanding of what consumers are really looking for. We also bring a flexible approach to investing through various stages of the growth journey, from Seed onwards. Based on decades of experience building world-class brands we have the long-term perspective necessary for success across the category while bringing the day-to-day know-how to support founders and their teams wherever they might need it.

What one piece of advice would you give founders?

If you are looking for capital (which isn't always the right route for every business!) focus on finding a funding provider who is aligned well with what you're building (your mission, the pace at which you want to grow, and how you want to get there). You're entering a long-term partnership and so ensuring you're set up for success from the outset is critical.

Jason Mahendran is Senior Investor at *Active Partners*.