

Turning the fundraising model on its head: an interview with Focal

Focal wants to change the way that founders and investors fundraise. Jamie Walker met Taos Edmondson and Hector Mason, cofounders of Focal, and Focal's Principal, Jack Richardson, to speak about their plans to make the fundraising process work better, ahead of their upcoming demo day.

Temps de lecture : minute

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Focal started with the realisation that the startup fundraising model was completely out of step with the technologies it was funding. One was fast moving and agile, the other dated and tiresome. Focal wants to turn the process on its head in an effort to streamline and simplify the process.

But first I wanted to get to know the three men who are redrawing the startup fundraising model.



What is your experience in venture capital and why did you choose this career path?

Taos: I came into venture about five years ago with a pre-seed to seed fund. I met Hector early on by doing two co-investments together with *Episode 1*. I then worked for a startup, for a year and a half, before coming back to VC and have been at *my current fund* for 2 years.



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Prior to that I worked in private equity, which is quite a big contrast to VC. The reason I much prefer VC is because it's a lot more multifaceted, you're looking at business models that you've never thought of before, you're working with very passionate founders, and it's a lot more collaborative. Whereas in private equity you're basically hiring and firing the management team, which isn't a nice thing to do.

I've always been interested in startups but didn't see it as a career path. I stumbled across the first VC role and I thought it was a really good fit for my personality. But I realised pretty early on that the funding process is terrible.

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Jack: I started my career in asset management. I come from an entrepreneurial background, both my parents scaled retail and property businesses, so business was always spoken about around the dinner table. And my brother is an entrepreneur, so I got to see closely how dedicated founders are to the role. I then spent two and a half years advising founders raising series A and series B capital. You're a part time psychologist when working in this industry, speaking to founders about their problems. I then joined Focal and I've been here for 3 to 4 months, so a big change for me.

Hector: Both my parents were entrepreneurs in their own ways. As a child, I was always encouraged to be creative and to turn my ideas into reality, whether that was building a den in my bedroom, or selling apples by the side of the road. I always had quite a lot of initiative and got on with things myself, I think mostly because I was very easily bored.

At school, I started a couple of little businesses, one selling food and drinks and another selling used textbooks. At uni I founded a business that matches students with cleaners, which ultimately failed for a number of reasons. My first proper business was an IT-consultancy which I sold to another IT-consultancy after a couple of years before moving into innovation consultancy for a year.

I started to do some angel investing through Crowdcube and through this I came across VC which I thought was the perfect middle ground between investing and startups, both things that I loved. I applied for a job at Episode 1 and was rejected, initially. I kept pestering them and eventually got a phone interview and now here I am: still doing lots of building, still an entrepreneur at heart, but as an investor.

Taos: We've all got very different skill sets. But we're all people who like to build and challenge the status quo.

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What works well, and what doesn't work well, with the fundraising process?

Taos: I don't think there is much that works well. It's ironic that we're all looking to invest in next generation technology and yet the processes by which we make those investments are incredibly archaic.

Can you explain the current process?

Taos: Founders have to manually go out and find at least a 100 investors to speak to for an investment round. Either a founder has built a network of investors over time, or it is cold outreach through LinkedIn or email. Often it is the founder themselves who is doing this, which takes a couple of weeks.

The founder will then meet each investor one-on-one, having up to 4-5 meetings per investor, and then each investor who's interested will send the founder a massive list of follow-up questions. Typically, you're looking at a month from those meetings to a term sheet stage, subject to legals. Then it's another 4-6 weeks of legal wrangling before you can post the investment. So it takes founders, who are already incredibly busy, out of the business for a few months.

Jack: It's an incredibly arduous process.

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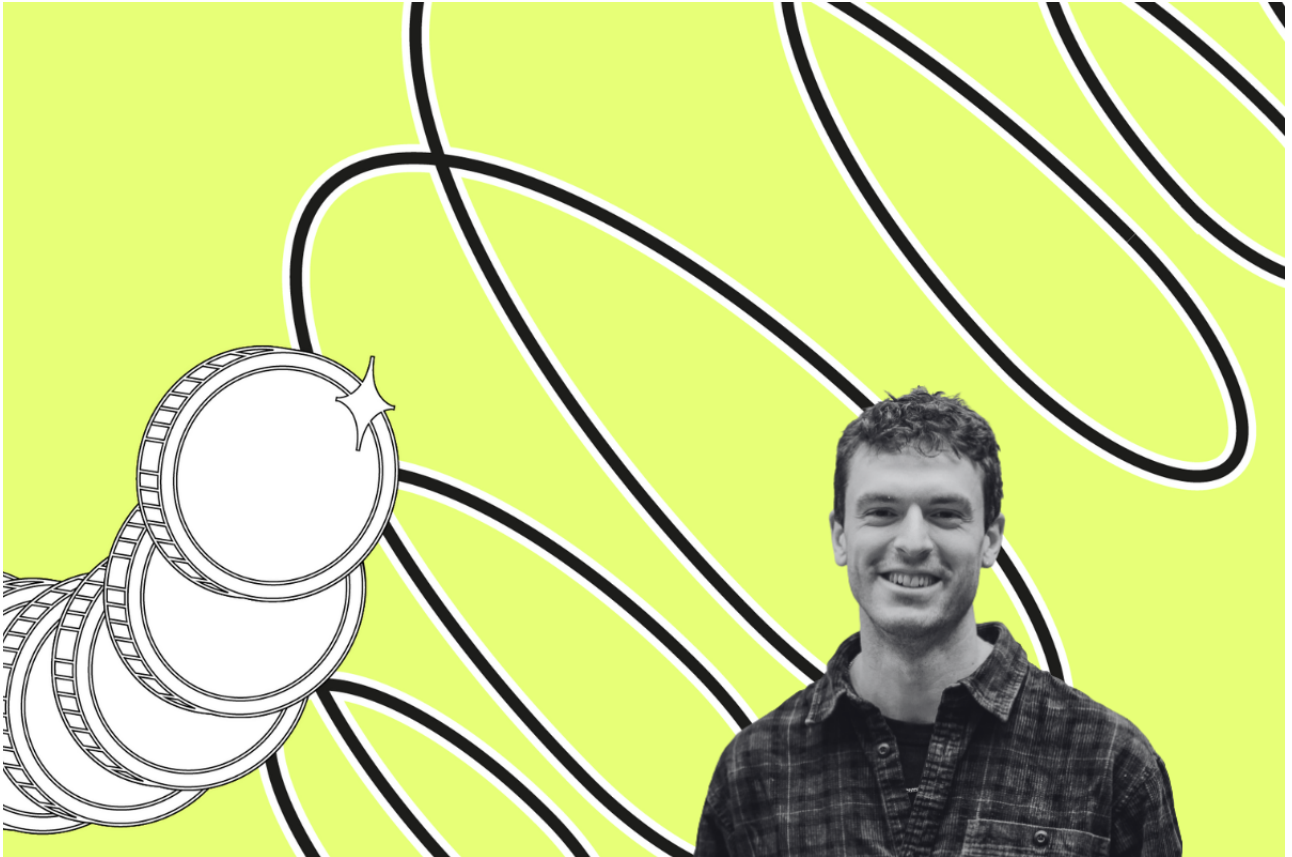
Hector: By optimising that process, there is a massive opportunity to optimise the rounds each company raises.

What does Focal offer to make this process better?

Hector: Focal flips the process. With Focal, the first stage of the process is the founder pitching to every prospective investor in their company, in one go, in a three minute pitch. This removes the first few steps in the traditional process. Suddenly a founder has all of the investors reaching out to them as qualified, warm leads. This leads to a much higher conversion rate to investment because these investors have actively chosen to speak to the founders.

Taos: The demo days are our entry point.

Hector: This approach condenses the timeline. Now all of these investors are coming to you in one go, which allows a founder to pack all investor meetings into 2-3 weeks. This also helps to build FOMO among investors, which is such a key part of the fundraising process. It helps to build a competitive process.



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Which VCs are taking part in the demo days?

Taos: We have about 180 VC funds, which are all of the funds you'd want to know across the UK and Europe. And we're starting to grow into the US and Asia. We've reached a point of maturity in Europe where if you want to raise from a European VC you come to us.

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How are VCs responding the Focal?

Taos: The idea is that it is a complete no-brainer for VCs and startups to take part. VCs see thousands of great companies that apply through Focal per annum, and in response they help to promote our demo day, which has been a great growth hack for us. The VCs also vote on the applicants.

It's also a no-brainer for startups. A five minute application form and they get their pitch in front of close to 200 VC firms. But only 1% of the companies that apply end up pitching. So there are a load of applicants who don't get to the demo day, but they still get exposure to all of those VCs.

But the demo days are just the beginning. Focal wants to change how the ecosystem runs as a whole. The way that fundraising is done today is very siloed, inefficient, and inaccessible. We want to create a central data exchange that everything comes through, to standardise how fundraising is done, and make it much more efficient. The aim is to connect the most relevant startup to the most relevant fund. And we're trying to build this collaborative ecosystem for the whole industry.

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What's the biggest obstacle to Focal's success?

Hector: I don't see any great obstacles. I think we're on a journey and the journey takes time. We've had a number of case studies that have gone really well now - companies that have pitched at demo day and have

gone on to raise a lot of money from great funds. As you get more and more of these case studies the brand improves, and when our brand improves our ability to attract top tier founders improves. Founders now see Focal as something that can really help them on their startup fundraising journey.

Taos: The other element that we have cracked in Europe is negating the VC herd mentality. It is very hard to get your first few VCs in a region, but once you add more and more VCs it becomes increasingly easier to add more. In the UK and Europe we've cracked that. Once you get to around 50% penetration in a market, every other fund wants to take part.

Hector: Social proof is huge.

Taos: We want to position ourselves at the core of absolutely everything to do with fundraising and leverage that positioning to benefit the companies that take part in that network.

And Hector and I still have full time roles as VCs, which I think gives us credibility. We know how terrible fundraising is today for investors and for startups.

Big picture: we want to have every single fund, angel investor, and startup, interacting with Focal. For startups, it's the first place they come to fundraise. For VCs and angel investors, it's a core part of their sourcing strategy. We've solved that in Europe to an extent, and I think we can build something really global.

Taos Edmondson and Hector Mason are co-founders, and Jack Richardson is Principal, of Focal. Since our interview, the team has grown to include Issie James as Operations Lead.

Applications to Focal's next demo day are open now and will remain open until EOD 18th September.



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Article by Jamie Walker