

# BRAND value investor

Young private equity investor **MATT TRUMAN** tells **KATIE IOANILLI** how the best startups respond to youth-driven changes in commerce

**T**ECHNOLOGY TRENDS AND MILLENNIAL identity have merged to create a generational divide in the way business is transacted online. What the young expect from brands, and how they interact with them, has changed dramatically and continues to evolve quickly.

That poses challenges in developing a customer base – challenges most keenly felt by entrepreneurs and startups. These businesses are on the perilous front lines of customer engagement, where a false step can land even a great idea in the digital gutter.

For Matt Truman, such pressures aren't theoretical. He founded True Capital in 2007 to identify and invest in entrepreneurs whose businesses can appeal to all generations, adapt quickly and thrive in the constantly shifting commercial environment.

Businesses today can't rely on just selling products, Truman says, but need to create a network of experiences for the customer, organized around a clear and consistent brand messages. Achieving that requires experience in a particular sector, a business model fit for the future of the industry, and a keen understanding of the new marketplace.

## **Customers have access to millions of choices online. How do brands break through?**

The value proposition has to differentiate the brand in its market – for price, quality, service and convenience. If a brand excels through those parameters, or a combination of them, it can occupy a defensible position.

To compete with retailers such as Amazon, which can sell products faster and more cheaply than their competitors, companies – especially new brands – must control their distribution channels and carefully plan how they retain their brand equity. The success of direct-to-consumer models, such as Dollar Shave Club, was driven by these competitive dynamics.

## **Is brand loyalty harder or easier to achieve?**

Customers will be loyal if the brand's offer is truly distinct – loyalty has been dented because so many



retailers compete for sales of the same product, hurting margins and returns. Loyalty needs clear differentiation. Data is now giving retailers a clearer view of their customers, so harnessing this to look for brand and value proposition adjacencies will be key in driving loyalty.

## **How do technology and social media shape how younger generations interact with brands?**

Young consumers don't want to just transact with a brand. They want to engage with it. For e-commerce companies, the single largest new challenge in recent years is how to turn browsing into buying.

Technology and social media have made brands global overnight, but along with the benefits, there are considerable risks and costs. The viral nature of consumer opinion is a blessing and a curse. Having a clear, honest and consistent brand message has never been more important.

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### **What is the most important thing companies can do to adapt to these changes?**

The speed of technological advances will only accelerate: the value proposition that exists today will be deemed unfit for purpose in a shorter period of time. Continuing to be alive to these accelerating developments and investing in these new areas is crucial. Finding and investing in these solutions doesn't have to be expensive. Global platforms can be built for a fraction of the previous cost and therefore returns can be much higher.

The key is finding the right people – senior people who support continued investment over longer time frames and in talent, particularly in digital, that will prove its worth. Competition for talent is high; small retailers compete with quantitative hedge funds, as well as giants such as Facebook and Amazon. If I were a CEO of a large company, I would look beyond my immediate peers for talent and remuneration structures.

### **How are things like payment, returns and the shopping experience being affected?**

Expectations are higher. Customers now expect a much higher, best-in-class experience, focusing on service and convenience. Next day delivery has moved from being a loss leader and a foolhardy strategy to a benchmark, largely due to Amazon.

A retailer must also offer all payment methods – contactless systems are growing increasingly common – and the returns policy has to be in line with the brand message and hassle-free, on par with the best experience among a business's peers.

Digitally driven consumers now have shorter attention spans, so speed is perhaps the most important element of a website's performance and success. Jeff Bezos has said he wants page load speeds to be one second, versus three to four seconds today.

### **What kinds of brands and businesses will thrive in the next decade?**

Those brands that put the customer – and the brand experience – first and build the same high-quality experience across distribution channels. They need to think “multichannel” and “mobile.”

Market leaders now receive 70 to 80 percent of all brand interactions through mobile – a seismic change. The experience and consistency of service also has to be controlled in all engagement with the consumer, regardless of the distribution channel.

Finally, those businesses that offer a genuinely identifiable competitive advantage will deliver the strongest value proposition to the market.

### **Do entrepreneurs at your investment prospects tend to be young?**

It's rarely the stereotypical, straight-out-of-university type. They tend to have an average age of over 30. Bankers and financiers, consultants and engineers come to us with bright ideas, prepared to leave successful careers to pursue their startup.

This group tends to have the experience of life and business to better cope with the challenges they face. Just as importantly, they have a knowledge of the sector they are now disrupting. Outliers like Mark Zuckerberg with a truly unique invention are harder to find. Often, being young counts for less than having a deep understanding of the needs of the market.

### **Does the younger generation have characteristics that make them perform better as entrepreneurs?**

Perhaps not “better,” but different. It is difficult to compare Henry Ford with Mark Zuckerberg – each had a profound impact on consumers' lives.

The big trend that is different today is that the world is genuinely global and today's entrepreneur has immediate access to it. A broader array of opportunities is available to them at fractions of historic costs. The rapid growth of Uber and the acquisitions of Dollar Shave Club by Unilever and Jet by Wal-Mart are examples of rapid scale-up businesses that wouldn't be possible without a superior technical tool kit.

### **What buttons does a new product have to push for you to invest in it?**

We look for a business model positioned in line with the future of the industry that we can understand and where we can add value. It has to have favorable long-term structural growth prospects and a unique insight that will enable it to out-compete over time.

It also has to have an existing, under-exploited opportunity; a competent, honest management team to deliver it; and a valuation that is attractive versus its growth prospects.

**KATIE IOANILLI** is a former Partner at Brunswick who recently became CCO and Senior Vice President of Global Corporate Communications at Ralph Lauren.

## **MATT TRUMAN**

Matt Truman is CEO of True Capital and TrueStart, a London-based private equity and venture capital firm he co-founded with Paul Cocker in 2007 that focuses on the retail and consumer industry. He has been involved in the sector for 15 years, starting his career at Deloitte and later becoming an equity analyst at Lehman Brothers, where he was made Head of European Retail. He later led JPMorgan's European retail business in Equities.