

LEAP 100

City A.M. has teamed up with Mishcon de Reya and other expert partners to identify 100 of the most exciting, fast-growing firms in the UK. They operate at a range of scales and across many sectors, but all are in the process of making the leap to the next level in terms of revenue. We will track the challenges and hopes of this brave and economically vital group, sharing the collective portrait that emerges on this monthly page and at cityam.com/leap-100

Busuu is breaking down language barriers in nearly every country

WE'RE a nation of monoglots. Despite spending countless hours learning languages at school, many of our efforts are wasted.

Through the power of technology and its social network, the London based company Busuu is trying to change that. But Bernhard Niesner's ambitions are necessarily global, as he explained at a recent Leap 100 breakfast.

Language learning is a \$60bn market. "There are already a billion people learning English, which is going to grow to two billion by the year 2020. Currently, only four per cent is online, so it's without a doubt one of those industries that's going to be disrupted by technology," says Niesner.

Busuu is growing rapidly. It has over 70m users and is adding around 25,000 to 30,000 new users per day, with significant growth in the US, China, Russia, Germany, Brazil and Turkey. The company has users in nearly every country on the globe and receives payments from over 100 – some of which Niesner hadn't heard of before the monthly payments arrived.

But there are challenges with rapid international growth and a widely distributed user base.

Niesner explains that it's vital to focus on the right markets. "We use quantitative and qualitative metrics to decide on which market to go for. At the beginning, we just went everywhere. If we saw user growth in Brazil then we went to Brazil, then it was China and then it was Turkey. It was a complete mess."

Now the strategy is much more focused. "As I'm an ex-consultant and a big fan of Excel, we have an Excel sheet for our scoring matrix for countries. We have a long list of criteria – including GDP, propensity to spend and information about the language learning market – and then rank those



GREG SIGSTON / CITY AM

Bernhard Niesner's ambitions are necessarily global

parameters and come up with a ranking." Although it's "not just a mechanical approach" – Niesner finds it useful to test natural biases people have for certain countries.

Niesner is a big proponent of studying data. By comparing countries' registrations or cart conversions, they can spot blockages caused by payment methods or ineffective marketing. Busuu runs a lot of A/B tests to hone its service. "We can raise prices by 30 per cent in Japan and demand increases; in Russia they are very sensitive to price discounts."

China has been a "hard nut to crack", but efforts are paying off. "We now have over four million users in China. A week ago we were the top grossing education app, but it took us quite some time to get there and we had to do a lot of improvements around the

product." For example, Niesner dropped the Facebook and Google signups, moved from email to phone number signup, and invested in WeChat marketing.

By the sounds of it, Busuu is on a course to grow with maximum efficiency, whether through cross-functional teams solving specific problems, employing "young and hungry" MBA students from London Business School or making use of UKTI for company trips and relatively cheap market studies.

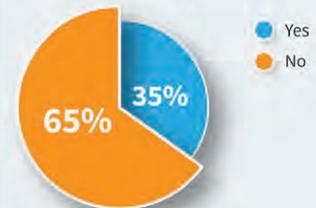
And with its focus on international expansion, I'm sure Busuu will have a big part to play in helping millions – if not billions – of people across the world learn a language – although solving Britain's *je ne comprends pas* mentality may turn out to be the toughest test.

LEAPPOLLING

How concerned are you about the skill sets of current UK school leavers with regards to your business?



Have you launched any kind of apprentice scheme?



TOP RESPONSES

6 Some of our initial apprentices have gone on to become company directors – that progression is exactly why we champion apprenticeships.

Darren Poultney chief executive Smart AV

6 We have introduced a graduate scheme as we have a greater need for engineering graduates than apprentices at this stage of our development.

Alexander Schey chief executive Vantage Power

How to use franchising to grow your business

TAKE a trip down any British High Street, and the chances are you'll end up spending money in a franchised business. In fact, many of the world's most familiar brands – including Domino's, Starbucks and Subway – have grown quickly and spectacularly through this model.

It's not just food and retail that are adopting the franchise model. We are increasingly seeing international franchise deals in the recruitment, legal and educational sectors. In education, there's been a number of British private schools growing along these lines.

The UK – and Europe in general – has traditionally lagged behind the US and Australia, but in the coming years I expect we'll see an increasing number of industries turn to the franchising model. If managed



properly, entrepreneurs can scale their businesses remarkably quickly.

Perhaps the most obvious benefit of franchising is that it allows entrepreneurs to use franchisees' capital to grow, instead of taking on significant debt. Entrepreneurs aren't limited by their own balance sheet and aren't taking on the risk of leases, equipment and employees.

As was seen with the global takeover of McDonald's, the speed and penetration of roll-out can be

stunning. Businesses funding themselves tend to be slower and more methodical, but a franchise business model can have multiple franchisees opening new places around the world at the same time.

The franchise model also taps into franchisees' local knowledge – in terms of location, economy, culture, law and experience. If you're simply expanding, you're less likely to get managers whose interests are aligned. After you've invested resources in them they might up and leave. In contrast, a franchisee will have signed up to an agreement for years and made a substantial financial commitment.

Franchising doesn't come without risks. Failure often comes down to a lack of due diligence – such as the franchisee not having the right skills, experience, location or working

capital. Entrepreneurs need to commit resources to training and ensuring the franchisee is running the business correctly. In addition, it's not uncommon for entrepreneurs to make the mistake of cutting the margins too fine for the franchisee: it needs to be win-win for both parties.

When operating on an international basis, there are challenges stemming from different legal systems to contend with. In the UK, there's no specific franchise law, but the moment you cross borders it can be a different story. There are other legal risks that many don't appreciate, so you need to ensure that your agreements are enforceable in that country.

Successful franchising requires a different set of skills to growing your business alone. And franchisees shouldn't take an entirely

entrepreneurial approach – innovation can be useful, but it's more important that they're a good follower and manager. But as well as considering the success of the franchisees, entrepreneurs will also need to make sure that the core business functions properly. Just consider C&A – a former stalwart of our high streets. While the core business collapsed, a visit to the continent shows that the franchisees are thriving.

Franchising isn't a model for every business and doesn't come without challenges. However, when the franchise model works well, it's been proven time and time again to offer the prospect of rapid, global expansion.

Lewis Cohen is a partner in the dispute resolution department at Mishcon de Reya.

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PERKBOX

Rewarding customers is a great way to keep them coming back for more. Workplace perks can also motivate employees and improve your staff retention rate, which is particularly important bearing in mind 61 per cent of UK workers are not passionate about their jobs. But some businesses might find these reward systems difficult to implement, which is where Perkbox comes in handy. Although it was only founded in 2015, the company now has over 600,000 members and services, including thousands of small businesses and some of the world's biggest brands such as Worldpay, Bupa, Axa, and British Gas. In the space of two and a half years, the company's headcount has jumped to 150 from 30, with revenue growing 12 times over the same period. Perkbox is now one of the most well-known engagement platforms, and has stormed to the top three in the Startups 100 index for two years running. A lack of productivity is costing the British economy £340bn a year, but Perkbox is doing its bit to tackle that by trying to ensure employees are engaged.

The Leap 100 take skills seriously, but not all are sold on apprentices

THERE are mounting concerns about the skills shortage of school leavers, but some Leap 100 firms are dubious about whether apprenticeships can solve this problem. With 90 per cent of companies struggling to find the right people to fill positions, the skills gap is costing businesses around £2.2bn a year, according to figures from the Open University.

This is having an impact on Leap 100 firms, of which nearly three quarters said they are concerned about the skill sets of current UK school leavers when it comes to the future of British business.

Many respondents said the skills shortage is rooted in our education system. Timo Boldt from Gusto said: "99 per cent of startups fail. To defy the odds you need the very best people, which means we need world class education. It all starts with education and ends with growth and more prosperity." There is also a clear need for

schools to nurture skills needed in the tech industry. Sophie Eden from Gordon & Eden said it is essential that schools increase the digital skills in schooling at all levels, so school leavers know how to operate effectively in the digital economy. Yet one respondent says he has more faith in the school system than apprenticeships to deliver outcomes.

Despite being mired in criticism for being rushed and badly designed, the apprenticeship levy was launched in April to try to tackle the shortfall of skilled workers.

But Leap 100 firms had mixed reactions about the value of apprenticeships, and just over a third of respondents had a scheme in place. Criticism largely centred around the initiative being more costly than it's worth because some apprentices are simply not committed enough.

It's clear that some companies do not have the resources or the time needed to make these schemes a

success, as one respondent says: "it would be a drain on resources given the necessary focus to make it successful for all those involved". Many companies also prefer to recruit university graduates, who tend to require less training and supervision compared to apprentices.

Yet some firms heralded apprenticeships as positive, provided the schemes carve out a proper role for recruits, while also giving apprentices enough time to complete their coursework. Naomi Trickey from Brandwatch said the levy has created a lot of momentum for businesses looking to develop employees from within the firm, while also offering support to people looking to kickstart their career. So for new business concerned about skills, apprenticeships are definitely worth considering.

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◆ Katherine Denham is a features writer for City A.M.

Billion dollar company.

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