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CS-21-006
September 2022

Feedr Case B

The 2018 funding round

In early 2018, Riya Grover and Lyz Swanton turned to their angel investors again, but they knew not everyone was in a position to write the size of cheque they needed for a £1.5-2 million round. The Feedr team had had encouraging conversations with a number of VC firms, such as Episode 1, in Q1, yet the common feedback was that they needed more traction to get the valuation they wanted.

As Swanton and Grover contemplated their options, they considered approaching corporate venture capital (CVC) funds. But, unlike many fintech-focused CVC funds, there were only a handful of high-calibre options in the food and beverage (F&B) space. The latter had led a round in a US competitor business and therefore was already conflicted. The founders decided to park the CVC option for now.

A lot of companies in the F&B sector were crowdfunding at the time. "Could that be a viable option for us?" they contemplated. A number of advantages were evident. Food-related businesses were more easily able to secure funding, and with a pre-set campaign window the timeline was predictable. Moreover, the broader population of funders were traditionally less strict on metrics, and Feedr already had a 'crowd' of angels that would reinvest. It seemed the crowdfunding route was the most viable option. At the same time, the decision was not straightforward. Successful campaigns were usually executed by B2C companies who benefited from mobilising the crowd of current and future customers. It was not clear whether this was a good fit for Feedr, which sold to medium and large companies. There was also the thorny issue of information disclosure, as competitors could invest £20 in Feedr and get their hands on all the proprietary information.

In Q2 the team opted for the crowdfunding path. They recognised that – given the average amounts raised by campaigns at the time – they were unlikely to raise the amount necessary to give them an 18-month runway solely through the crowd. They decided to view the campaign as part of a broader seed round and priced the shares accordingly. A benefit of the crowdfunding path is that the crowds are often less strict on landing a 20% of the equity, thus allowing Swanton and Grover to keep their desired price per share while forgoing a smaller equity stake. What they had not anticipated was how much work a crowdfunding campaign would be alongside running a growing business. There were numerous workstreams to coordinate, such as pitch decks, video production, legal work and managing the avalanche of questions from potential investors. It meant full-time work for two months for the newly joined Head of Marketing and a considerable amount of dedicated time on the part of both founders – not to mention the cash outlay for the video production and legal costs. "A few thousand doesn't sound much, but when you're at the end of your runway and don't know how you're going to make payroll for the month, every penny counts", Swanton said to Grover.

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