

by  SOLDO

HOW EUROPE'S MOST SUCCESSFUL FOUNDERS ARE USING TECH TO SPEND FOR GROWTH.



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ABOUT THE PLAYBOOK

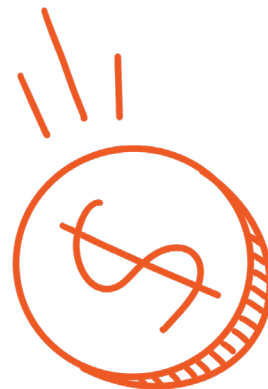
“The only thing worse than having technology in-house, collecting dust, is using technology without a plan, just to show that you have it” - Forbes

While raising money is essential to start a business, knowing how to spend is vital for companies looking to fuel growth. This playbook is the perfect companion to help you utilise tech to nail spend and make the most of the money that you have raised.

To really nail the advice shared in this playbook, we spoke to over 250 founders and investors about their spending practices. We asked some tough questions to which they responded honestly. A massive shout out to all the founders and investors we spoke to for helping this playbook come to life.

This playbook will help you understand:

- The Importance of Spend Management for Business Success
- Where Fast-Growing Companies are Spending for Growth
- The Best Tools for Nailing Financial Accountability



ABOUT SOLDO

At Soldo, our mission is to help businesses make smarter decisions when it comes to company spending.

Founded in 2014 by tech veteran Carlo Gualandri, Soldo is one of Europe's fastest growing fintech companies. In 2017, the company raised \$11 million in Series A funding led by notable venture capital firm Accel to accelerate its growth and has trebled its workforce in the last 6 months. In 2019, the company went on to raise \$61 million led by Dawn Capital and Battery Ventures - the largest round of funding ever secured by a spend management company.

Soldo provides companies with a unified solution to manage spending and expenses. It allows you to give your team the power to buy what they need to do their jobs with Soldo Mastercard® cards, whilst retaining control with the ability to set custom budgets and spending rules for each user. Users can capture detailed expense data, right at the point of purchase. There are also seamless accounting software integrations.

Soldo is used by a number of scaling businesses across Europe, including Secret Escapes, GetYourGuide, Clearscore, Truelayer, Zipjet, Monzo and Citymapper.

Want more information? Email Jules (jrobertson@soldo.com)

Why So Much About Spend Management?

Spend Management is important for businesses looking to grow. With more money available to them than ever before, it seems to be boom-time for European start-ups and scale ups. In the first 9 months of 2019, companies across Europe raised a record breaking €25bn meaning more businesses were able to back up big visions with the money needed for execution.

Let's take a look at why spend management is important:

For businesses looking to access funding, it is important to show investors relevant capital and spend data. When decision makers at 250 start-ups who struggled to secure investment were surveyed, 35% put the struggles to access investment down to their inability to produce past financial data and forecasts.

These necessary financial records come together in the day to day ways that businesses manage money. When businesses have a clear understanding of their finances, they are in a better position to make spending decisions for growth and assess if the way the business is spending is aligned with achieving the business's North Star Metric.

This information can be the reason a business fails or succeeds.

Even further, this information can help a company understand the impact of red tape on company growth. When a business takes too long to action spend, there is direct impact on growth. Research shows that employee restrictions can impact company growth by 18% but even worse, lengthy sign off processes can see a 20% hit on growth. Spend Management goes beyond looking at the numbers, it is a focus on the company culture around spend.



Can Company Spending Culture Really Be Managed?

Acquiring and retaining the right talent is critical to the success of any business. Developing a company culture in which employees both place value and feel valued is a big part of doing that. It's about ensuring your people have everything they need to stay motivated and inspired. Meaning they're happier and you're creating a more productive business.

The idea of using spend management processes to keep employees engaged might be something you haven't considered. The truth is, when it comes to employee experience, expense processes have a tangible impact. And for millennials – who'll form 75% of the workforce by 2025 – outdated paper-based processes just don't cut it anymore.

Recent studies reveal that expense reporting and reimbursement is a serious cause of frustration for employees. It's an emotive issue, which is understandable because the initial expense often comes out of their own pocket. Employees also tend to put off reporting because it's such a tedious, admin-heavy task that often cuts into their own time. Yet another cause for resentment.

Over 50% of employees are more worried about filing expense reports than taxes.

But the frustration doesn't end with submitting expenses. Employees are often kept waiting for reimbursement, too. Expense reimbursement delays can lead to severe dissatisfaction. In fact, around 70% of employees stated that they would start looking for a new job after constant delays.

In fact, the same complaints come up time and time again:

47%

Say expense reporting is too time-consuming

38%

Complain it takes too long to receive reimbursements

36%

Think expense management processes are outdated

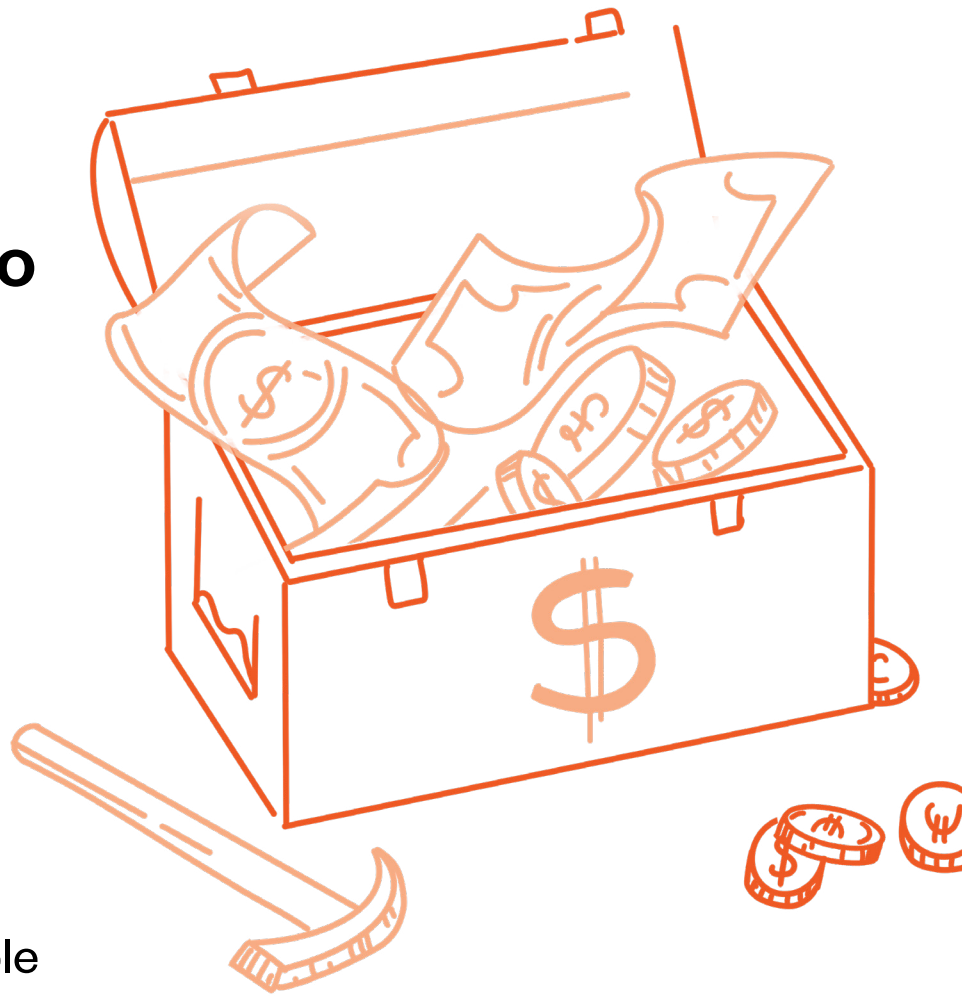
35%

Worry that the procedure wastes too much paper

Providing a fast, flexible way to manage spend and expenses creates a company culture more in tune with today's expectations. So, above and beyond the speed and efficiency advantages, there are tangible benefits in hiring and retaining employees.

The financial tools you need to succeed

10 years ago, software to help businesses manage money, was only available to the largest companies, but with the advent of the cloud and advances in technology, solutions are now available and affordable to all. Access to this software, ranging from banking to payroll, to accounting, allows founders and managing teams to spend less time on managing spend and more time building the business.



Spend management

A spend management tool can initially be overlooked by many startups but is integral to financial success.

Business bank accounts

Business bank accounts are more than just a legal requirement. They make managing company spend much easier, speed up tax processes and gives your company a sense of longevity. The fees attached are worth it.

Accounting software

Accounting software is essential for keeping track of your finances. It is important to select accounting software with suitable features to suit your business.

Quick access to finance

Businesses can extend their runway by borrowing cash against their unpaid invoices or VAT returns from established funds. With flexibility around interest and repayment schedules, it can serve as a lifesaver.

Here are our top picks:



Spend management



Accounting software



Quick access to finance



Business bank accounts



Soldo is a multi-user, multi-current spend management solution. Its mobile app offers receipt capture and real-time transactions, and integrates with Xero and QuickBooks. Soldo costs £9 per card per month, with an upfront cost of £5 per card.



The AIB Business Start-up Current Account, is for businesses that have operated for less than 3 years. It offers no monthly fee for 2 years and up to €100 discount off quarterly cash handling fees. It also offers an overdraft facility.



Iwoca allows you to borrow between £1,000 and £200,000 for up to a year. Suitability is assessed based on VAT returns, bank statements and company account information. Interest rates start at 2% a month and are charged based on your business account balance, for the days on which you are utilising your loan.



The Bank of Ireland's Business Startup Account has no fees for 2 years. Their Workbench programme offers account holders facilities such as: free Wi-Fi, hot desks and events in Dublin, Limerick, Cork, and Galway.



Natwest Rapid Cash allows Natwest business customers borrow between £25,000 and £500,000 against their unpaid customer invoices, without fixed repayments. There are no set monthly or set up fees. Rates are established between 4.5% and 8%.



Xero is a popular option. It offers a flexible range of price plans, all of which are halved for your first three months. It also offers integration with various payroll, conversion and financial service apps like Stripe, iwoca and Soldo.



Surf Accounts offers invoicing, bank reconciliation, inventory management, and payroll. The software is fully adapted to Irish tax standards. They offer a 30-day free trial and thereafter pricing starts at €14.95 per month.

Let's Talk About Spend Strategy.

Are you spending on the right thing?

In a survey of decision-makers at 250 start-ups, 70% said they found it easy to secure funds. But, some 95% of start-ups said they faced difficulties when deciding how to spend the money to grow their business.

Of the companies surveyed, about 27% said that political and economic uncertainty surrounding Brexit has had the biggest impact on their spending decisions. Start-ups are also struggling with decision paralysis. So much so that 25% said the fear of making the wrong decision had prevented them from spending money on growth. A lack of insight is also a problem, around one in five said they don't have the necessary financial insight to make spending decisions.

It's a sad truth, but the majority of business fail within the first 3 years. So, it's important to make sure that you're spending on the 'right' thing. Another sad truth, money will run out at some point. So it's important to make sure all spend is helping to achieve your North Star metric. However, the 'right' thing to spend on will depend on the type and stage of your business.

However, there is some common ground with all the founders we spoke with. Almost all highlighted the importance of prioritising spend on tech and product development.

Whilst we're on common themes, almost all of our founders highlighted the importance of prioritising spending on people. That doesn't just mean new hires, but also the retention and development of team members.



When asked how they would spend an anonymous cash donation of £1,000,000 in 2020, of 250 UK companies nearly half would develop new products and services. A further 43 percent would improve operations and 41 percent would invest in new equipment and software. 30% of startups also chose paying off debts. In comparison, only 28% said they would spend investment on marketing.

When it comes to spending, male founders placed higher priority: developing new products/services, improving operations, paying off debts and marketing.

Whilst female founders placed higher priority over: new equipment/software, hiring new staff and updating office.

Founders in London placed a higher priority on hiring spend: this is not surprising as, in London, there is a higher cost of wages and the labour market is more competitive than the UK average. They also placed a lower importance on paying off debts compared to the average UK founder - perhaps due to the larger availability of capital in the capital.

When looking into averages, newer companies whose aim is to scale spend between 12-20% of overall gross revenue on marketing. More established businesses looking to maintain and increase profitability, spend between 5-12% of overall gross revenue.

“You can never spend too heavily on tech.”



Rob O'Donovan
from CharlieHR

“Even now our business is 7/8 years old we are investing more than ever in tech.”



Jeff Lynn
from Seedrs

Who is accountable?

Accountability of spend was a much-disputed topic between founders we spoke with. Chiefly, whose responsibility is it to be accountable for the spending of those funds. The majority of founders agreed that hiring a CFO or an FD at an early stage was necessary - not only to keep a close eye on finances but to also hold the founder themselves accountable.

With or without a CFO or FD it's still a delicate balancing act. Too much control removes team accountability. Whereas too much freedom results in overspending and, well, chaos.

When it comes to fast growing companies their planning cycles are inevitably shorter. Currencycloud note that although they set yearly budgets, they have 6 months planning cycles and are not afraid to iterate. That might frighten some people, but when you're growing you're constantly learning about your product and market fit. You're learning about what you can do to adjust it and capture the market that is emerging. You're learning and adapting always.

You need agile organisational design if you're a growth company. It's the difference between manageable risk/complexity, and chaos. So, rather than being obsessively hard, the rules are there to stop people making decisions more complicated or difficult to track than they need to be.

There seemed to be a dichotomy between protecting team members from money worries and the need to share the realities of financial positions. Some thought that it was important for all team members to know the reality of the company's financial position, in order to build focus. Others believed only those making spending decisions need to be informed, as company finances could be a distraction from other team member's day to day tasks. You need to consider which works for your own company, within your own culture. Soldo can help you to manage both, with Soldo Mastercard® cards that allow employees to spend but within limits set by you.

One thing that was clear was the need to maintain a hierarchal balance between control and freedom of spend for all team members. Employees, who work to grow the company on a day-to-day basis, need to be able to spend on what the business needs to grow. That said, the need for employees to be held accountable to their spend against a budget needs to be considered.

Understanding Founder Spending Regrets

We're not delusional, we know it's impossible to know exactly what to spend on and when.

Rob O'Donovan from CharlieHR noted ***“we did not spend the way they thought we would”***.

Carlo Gualandri from Soldo noted ***“spend regrets just prove or disprove hypothesis; hence we are paying for knowledge.”***

As with most things in life, mistakes and regrets are inevitable. But, it is important to learn from others. All the founders we spoke with admitted to making bad spending decisions.



Here are just a few:

“The most expensive spend is a bad hire”



Urenna Okonkwo
from Cashmere App

“We went international too soon when we still had room to grow in our own market”



Luke Lang
from Crowdcube

“Don’t neglect marketing, you can have best product but if no one knows it exists”

(Giving the valuable example of Betamax vs. VHS in which despite being a better product, betamax lost the market to VHS)

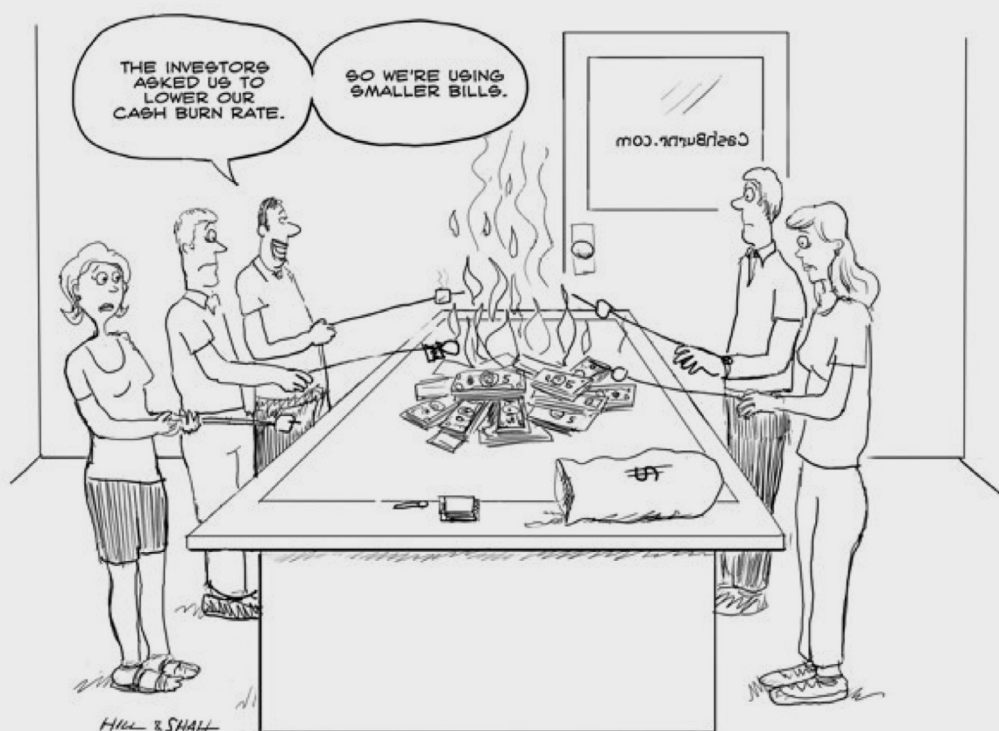


Jeff Lynn
from Seedrs

“Don’t spend on big conferences.”



David Brears
from 11:FS



The most common areas of overspend for scaling companies are:



Excess product features



Excess staff



Legal expenses



Travel expenses



Premature international
or distribution channel
development

Additional resources

Dough Stories

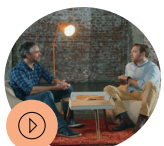
Season 1



EP. 01
Carlo Gualandri &
David Brear



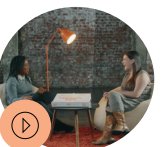
EP. 02
Rob O'Donovan &
Jeff Lynn



EP. 03
Charles Armitage &
Luke Lang



EP. 04
Gemma Young &
Sarah Welsh



EP. 05
Urenna Okonkwo &
Lyz Swanton

Season 2



EP. 01
Hal Watts &
Nick Black



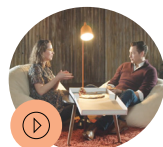
EP. 02
Gabriella Hersham &
Tania Boler



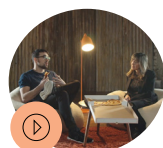
EP. 03
Deepak Ravindran &
Ally Fekaiki



EP. 04
Jenene Crossan &
Stephanie Eltz



EP. 05
Chris Edson &
Pippa Murray



EP. 06
Amanda Thomson &
Anthony Collias



EP. 07
Ryan Kohn &
Jonathan Petrides

VC articles



Show Me the Money:
The ROI of Employee
Engagement



Employee Engagement
Strategies Save
Thousands of Dollars



The Impact of
Reimbursement
Delays on Employees

THANKS FOR READING

Hope that you have enjoyed reading this playbook and have had a chance to check out some of our [Dough Stories Episodes](#). Do look out for the next season.

To find out more, about Soldo, email Jules at:
jrobertson@soldo.com

@soldo
#doughstories

Disclaimer: This is not a comprehensive guide to spending. There are plenty of other resources online – talk to your existing investors and peers who can also provide valuable advice.

