



Jane Ruffino: Even the savviest, most seasoned investors admit their successes were also lucky gambles

In an interview with The Wall Street Journal last month, venture capitalist Bill Gurley outlined his worries about start-up burn rates, which he said were at 1999 levels of ridiculousness. Your burn rate is the amount of money it costs to keep your company running – often, but not always, minus whatever revenue you're taking in. In other words, you are cash flow negative and someone is feeding you money, and the burn rate is how you measure your metabolism.

Gurley said we're in trouble, and the canary in the mine is the number of companies operating with tremendously high burn rates. We're in a boom, definitely, at least in terms of start-ups that can attract capital, and maybe, possibly, we're even in a bubble. We won't really know until it bursts, which is the problem with bubbles.

Huge salaries, recruitment bonuses, a war for technical talent, and a perk culture that makes offices look like they could be on MTV Cribs, are more commonly a US phenomenon, but you

find pieces of it everywhere.

Marc Andreessen, of venture capital firm Andreessen Horowitz, went on one of his "tweet-storms", worrying aloud about burn rates. Fred Wilson of Union Square Ventures said he was also concerned. Four years ago, Wilson wrote about "storm clouds" and the excess valuations of companies – these are not new alarm bells. Right now, investors are worried that start-ups are spending the money they gave them too fast, to try to keep up with other companies that have also been fed piles of investment, few companies

can make enough revenue to keep up, and nobody can figure out how to get off the ride.

It's easy to get caught up in stories of excess, to look back at the property market of the mid-2000s, or the first dot-com boom, and say, "Look at these people!" I mean, yes, if someone hands you an investment package and you buy a Porsche and build a full-size basketball court in your office, you're definitely part of the problem. There's a lot of truth to the burn rate concern, but it also bears a whiff of "we all partied".

I do it myself. Every time a start-up does something arrogant, brash, and expensive, I wonder who was dumb enough to fund them, and think: we're one step closer to the end times. Technology start-ups are not just all a big gamble, but publishing cautionary click bait on websites in Andreessen's portfolio creates a better return than stories about companies managing their growth, paying their bills, and generating real revenue.

But even the most seasoned, most decent investors will admit that with all of their experience and savvy, their successes were also lucky gambles. Asking if we are in a bubble is predicated on the idea that blackjack is a reliable source of income, when we know that it's not. And even if we are past a point of no return, if we try to trace it back to some kind of tipping point, we won't find one. We will find many.

The problem is that the "we are in a bubble" crowd versus the "don't be

ridiculous, just keep shoveling money" crowd, is that they're both right. In some ways, what I'm writing is totally irrelevant, not because we can't know when a bubble is going to burst except in hindsight, but because focusing on bubbles fails to critique or examine in any real depth a system that allows the same people to sit on top of the pile for so long.

No matter how revolutionary, ethical, or fair we are as companies, and no matter how careful most of us are with our money, we're still mostly mitigating, not changing, an economic and social system that is built to be "robust" for the high earners and dump the vulnerable out the bottom.

We aren't the architects, but we should remember that we are complicit as participants. If it does burst, many people will suffer, in very real ways.

In that case, what will we change about the way we do business to build something better?

Accounting for the little guy



Emmet Ryan

Big Red Cloud's online bookkeeping software does well with start-ups and businesses struggling to collect cash, says chief executive Marc O'Dwyer

Accounting software provider Big Red Cloud is considering making another run at an IPO, having pulled out of the move earlier this year.

"We decided to postpone in May because we didn't like the way the market was going. It's up for consideration again in the next couple of weeks and months," Marc O'Dwyer, chief

executive of Big Red Cloud, told *The Sunday Business Post*.

The Dublin firm is looking at listing on the Alternative Investment Market (AIM) in London in order to drive attention in the British market. "The idea of going on AIM was partially about funding but also giving a PR slant to the British market, where we're not well known," said O'Dwyer.

"Our key area is start-up businesses. There are 3,500 new start-ups in Ireland every month and 44,000 in Britain.

We wanted to get the name out there to those businesses."

The company founded in 1992, has 22 staff and is based in Glenageary, Co. Dublin. Originally named Big Red Book, the company re-branded in 2012 to reflect the change in its offerings.

"We wanted to change the perception because everything is moving towards the cloud," said O'Dwyer.

"How we sell our products has completely changed. We're using social media, including Facebook, Twitter,



Marc O'Dwyer, chief executive, Big Red Cloud
Picture: Maura Hickey

and LinkedIn, to get into the minds of people who haven't even thought of setting up a new business. If they do, we want them to think of Big Red Cloud," he said. "We are also reaching out to smaller businesses, who are very savvy when it comes to social media, in order to reach them and explain what we do."

The start-up space remains the core focus of the business despite the change in how Big Red Cloud delivers its services.

"We have always done well in the start-up space. We did pretty well during the downturn because existing businesses who were trying to collect cash were struggling to know how much they were owed," said O'Dwyer.

"We saw an uptake in our software because these busi-

nesses saw we weren't expensive to use. Now start-ups are savvy and don't necessarily have the money up front to pay for a large accounting package. With us they can go to an internet cafe and have the software for a fraction of the cost."

The Big Red Cloud founder said the firm is on course to have annual turnover of €30 million within the next three years, reaching €100 million within the next five. The key driver is the firm's focus on the British market.

At present just over three per cent of Big Red Cloud's business is coming from Britain, having started pushing its products there in the spring. O'Dwyer's goal is to make the British side of the business ten times larger than its base in

Ireland.

"It's like starting over again. We got 50 companies signed up through one accountant there in July because accountants know what our software is about," said O'Dwyer.

"We're saving not only the start-up time but also the accountants. We get 43 per cent of our recommendations from accountants because they know when a small business owner goes into our software, they will find it easy to use and run their own books confidently," he said. "It's still a different market. We are adjusting our prices and marketing strategy for Britain."

At present, Big Red Cloud is signing up 150 new customers a month from Ireland. O'Dwyer said the goal is to sign up 1,500 new customers monthly

from Britain.

"We see it becoming the dominant part of our business and from there we want to move into other territories. There are 50 Commonwealth countries where our product will work, and we have earmarked nine European countries," said O'Dwyer.

Big Red Cloud has adapted its software to work on tablets and is currently developing smartphone applications. O'Dwyer said the user experience was crucial to developing this technology.

"We need to work out what functions people need on different devices. A sales person on the road might only need to perform invoicing on a smartphone while a managing director might need business intelligence tools," he said.

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Tech Week

BY EMMET RYAN

Connecting women at Dell's Limerick campus

Dell will host a Connecting Women in Technology (CWIT) event for the mid-west region at its Limerick campus. The morning event takes place on Thursday and will involve women from technology companies in the region encouraging more female students to enter the IT sector. The CWIT is looking to use the event to get more women to act as mentors to schools in order to attract female students to jobs in technology.

LinkedIn building for the future

LinkedIn, has announced plans to invest in its international headquarters in Dublin after acquiring a 17,507 square metre site at Wilton Place. The new site has capacity to see LinkedIn's current Irish workforce grow from 600 to 1,200 people in the future. Construction work on the new international head-



Dell will host a Connecting Women in Technology (CWIT) event for the mid-west region at its Limerick campus

quarters will begin in May 2015, and is expected to be completed at the beginning of 2017.

FinTech Innovation Lab for Dublin

Accenture is setting up a FinTech Innovation Lab in Dublin. The project will see six early-stage companies in the financial technology sector receive eight weeks of mentoring before moving on to a final day of presen-

tations to pitch for investment. Since launching in 2012, the FinTech Innovation Lab has seen businesses receive \$86 million in funding worldwide.

Ads for Snapchat

Ads are coming to Snapchat, according to the messaging app's co-founder Evan Spiegel. Speaking in San Francisco last week, Spiegel said the ads would appear in the stories section of the app used for sharing content with friends. Spiegel gave no timeframe for when

advertising would be introduced to Snapchat.

Google drafts the ships of the desert

Google has taken a novel approach towards bringing its Street View technology to the desert. With Street View cars ill suited to the conditions, Google strapped a camera to a camel in order to capture images in the Liwa desert in the United Arab Emirates. Google has covered 59 countries with Street View since 2007.