# Matteo Scarabelli of L Marks

**Speaker1:** [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. The. Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating $100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website.

**Speaker2:** [00:00:38] Hello, this is Hall Martin with Investor Connect. Today, we're here with Matteo Scarabelli , director of Insight at L Marks. L Marks is an investment and innovation advisory firm specializing in applied corporate innovation. Mateo, thank you for joining us.

**Speaker3:** [00:00:52] Thanks for having me.

**Speaker2:** [00:00:53] Great. So tell us more about your background, what did you do before this

**Speaker3:** [00:01:00] Fairly standard background, I would say. I'm a first generation uni in my family, so there were lots of expectations. Go to business school, join a big corporate, stay there until retirement. And that's pretty much what I did, at least at least up until join a big corporate, but realized very quickly it wasn't. Wasn't for me. Didn't enjoy the corporate world, so I left. It was 2008, and since then I've been. I've immersed myself in the world of startups investment in entrepreneurship, and I feel privileged because in like being worked on, I've been working on both sides of the startup table. So actually three side because I've been both investors, founder as well as advisor.

**Speaker2:** [00:01:46] Great. And so how do you help startup and growth companies grow?

**Speaker3:** [00:01:52] Yeah, we have a structured approach, and we do it probably in two complementary ways, so at Olympics, because we are leader, UK leader in corporate innovation, we have on one side clients to innovate with different initiatives ranging from open innovation to entrepreneurship. So helping where the ideas come from the employees to investing, as well as acting as a venture builder and flip side of this. We thought we had startups collaborate with corporates, so we support them with again with go to market with internationalisation, but also through fundraising so directly and indirectly. So helping them fundraise with third party investment firms and sometimes even with operations.

**Speaker2:** [00:02:40] Great. So what is the challenge for a startup growth company that you see out there?

**Speaker3:** [00:02:46] Interesting question. I think I see a couple of challenges, probably one more financially, one more commercial. So on the financial side, I would say finding the right investor because for a number of reasons, geography is getting all mixed up. So U.S. investors coming to Europe, European going to the U.S., so a few years ago wasn't like that. But if you read the news even recently, so Lightspeed, Bessemer and general catalyst, they all been hiring some leads in Europe, and I think this is a recent phenomenon. I remember the first one probably was Sequoia just a year ago when they hired someone from from Accel in London and again connected to the investment is picking the right stage. It's not so easy anymore because big funds are going are going multi-stage seed funds that are doing larger tickets, investment angel investors are getting more professional. So it's all messing up a bit. And the other point about the commercial, I would say, because we often work with B2B and enterprise startups, I would say the challenge is customer acquisition, especially with first few clients, even the first few pilots that are very tricky. Sales cycles tend to be very long. So even 12 18 months and the process is complex, with many moving parts, multiple internal stakeholders. So it's is a difficult journey, especially if you are a B2B company, right?

**Speaker2:** [00:04:31] And how does it start to prepare for that challenge? What's your coaching to them on that?

**Speaker3:** [00:04:36] Yeah. Well, be genuine. Prepare yourself very, very deeply and do your due diligence on the on the potential customers. And please avoid cold emails. Avoid email marketing sequences, especially at the beginning early, early days. Because unless you are at scale up phase, every customer interaction is is a chance for you to get to get creative insights. So I would avoid, especially for the first few clients. Anything automated because otherwise you miss out on on on big intelligence that you can gather at that stage.

**Speaker2:** [00:05:18] And who you'd be recruiting to help with that challenge?

**Speaker3:** [00:05:22] It's a good question, I think. Wise, wise salespeople and wise could be could be someone with also experience in partnerships because most of the contracts are kind of long contracts or annual multiannual engagements and the renewal, which is very important typically. The decision is made up of many factors and is not only driven by obviously by the performance of your product or service, but also can be driven by the actual relationship with key stakeholders. So and key decision maker. If the sponsor you. That's also much more likely for to you to to renew a big contract. And that's not only performance of the product, but is, yeah, it's more complex.

**Speaker2:** [00:06:16] Sure. So what are the must dos for the growth company? What should they be focused on?

**Speaker3:** [00:06:23] Probably sounds obvious, first thing coming to mind is talent, so and to be more specific, I would say. Talent acquisition and talent retention. So and probably the best way is to to build a strong culture, because that's the most effective way to to secure the company team in the long run and to structure the company for growth. And and once you've done that, the only other element that I could think of would be automation. So nowadays it's clearly the product of many companies, but should be also be embedded in many operations of startup themselves because there are many low code and no code platform which are being adopted from citizen developers. So like myself and yourself, up to up to corporates. And this is something that should be adopted because that's one of the of the way that SaaS companies, especially even or B2B and software companies can use to to increase productivity.

**Speaker2:** [00:07:39] So all right. And where do you see companies under invest in today's market?

**Speaker3:** [00:07:45] Under invest, probably. Well, probably connected to my previous point, culture, so some companies think, well, perks and unlimited annual leave can compensate for for lack of culture, but in our experience, that's not true in the long run. And even competitive salaries are less effective because especially in today's. Nowadays, it's fairly easy to poach people from competitors because there's a lot of mourning going on and investors are willing to invest more in companies. So the struggle is always, how do you how do you retain talent? And that's not so easy, and salaries or perks are not the answer.

**Speaker2:** [00:08:32] Oh, and where do you see companies overinvest these days?

**Speaker3:** [00:08:37] Overinvest like this question and. I don't know if you can actually overinvest, at least. Well, if you're a unit economics are well balanced, I guess you cannot overinvest, but you can overspend, definitely so. And that probably that's a completely different story. And I'm talking about overspending. Yeah, that's fairly easy. So you can oversize too early, too quickly can or simply in the wrong time or clearly that impacts profits and and many other elements of the company. Or you can even worse, you can overspend just to sustain the growth. So investing a lot in customer acquisition, not keep bearing in mind unit economics as well. So the customer cost of customer acquisition exaggeratedly high, for example. But you keep in overspending because you want to keep fundraising, you want to keep your investors happy with evaluations every round. But you're just inflating the valuation in that way. And if you don't have a profitable business model, that's that's a risky game in the long term. So. And yeah, we all remember what happened to Uber when when they went in the stock market, so and so unit economics were kind of out of balance slightly and and the market clearly doesn't appreciate it.

**Speaker2:** [00:10:16] All right, well, many companies are out raising funding and they have a goal, but sometimes they don't meet that goal. What do you do when you're short on the fundraise? Who takes the haircut and by how much?

**Speaker3:** [00:10:27] That's quite common in my experience, very polarized, so some companies, they get overfunded men, but majority, I guess they are underfunded for quite a long period, so. And when in doubt, I think I would prioritize using the investment I got for validation. So whatever that means for that specific company. So if you still need to validate the market, I would temporarily reduce the cost related to to the product if you need to validate the product features or something in that area. I probably cut temporarily BD and says, but this is case by case, so I would definitely not. Cuts on. On another yeah, what I mentioned earlier, so in hiring, hiring, staff automation, and those are fairly important for kind of securing the present as well as the future of the company.

**Speaker2:** [00:11:34] Great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

**Speaker3:** [00:11:39] Well, just wanted to thank you for inviting me and for for the great question and just for the audience. If you're a B2B start up or enterprise, start up, just reach out so we can help you get in touch with corporates. This is clearly vital. So for corporates and for investors. So we have a quite a big deal flow of corporate validated B2B businesses. So and we operate both in the UK and the US. So I'm fairly confident we have something relevant for you, for you.

**Speaker2:** [00:12:11] What's the sweet spot for companies that are coming to you, who are the best fit for your program?

**Speaker3:** [00:12:16] Yeah, B2B enterprise, I would say 80 percent software companies, not necessarily SaaS, but we also can go abroad specifically with with some corporate clients. And we covered nowadays and we've done it also in the past. Hardware companies and some something in in the life sciences. So we haven't done pharma that requires very specific skill set. But other than that majority of the industrial and financial services sectors, so from insurtech to logistic and retail to construction, so we're fairly agnostic.

**Speaker2:** [00:12:59] Great, is it just USA only, or do you take companies from outside the U.S. global?

**Speaker3:** [00:13:04] So we always been operating on a global scale. Just I remember our first investment, so this was twenty thousand fifteen. Sorry. We invest in an Australian company and most recently were company based in India, another one in the US. So clearly, majority of the deal flow is between UK and us. But I will say the two markets account for probably 60 percent of the deal flow. So there's still the rest of the world account for around thirty five, 40 percent.

**Speaker2:** [00:13:36] Great. Well, how best for listeners? Get back in touch with you.

**Speaker3:** [00:13:41] I would say my email, so simply my name, so Mateo at Alma dot com.

**Speaker2:** [00:13:46] Great. Well, include that in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon?

**Speaker3:** [00:13:52] Thank you.

**Speaker1:** [00:13:57] Investor Connect helps investors interested in startup funding. In this podcast series, experience investors share their experience and advice. You can learn more at Investor Canaccord. Paul T. Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.