FROM START-UP TO BILLION RAND BUSINESS

in 4 steps

Peter Bauer and Neil Murray launched Mimecast from their living rooms in 2003. They had no capital, no staff and no clients. Today they’re a billion rand business. This is how they did it.

BY NADINE TODD  |  PHOTOGRAPHS BY MIKE TURNER
THE COMPANY: Mimecast
THE PLAYERS: Peter Bauer, co-founder, global CEO; Neil Murray, co-founder, chief technology officer; Brandon Bekker, MD, Mimecast South Africa

TURNOVER: R1.2 billion
GROWTH STATS: 2008 - 2013: Experienced 526% growth internationally
MAJOR HUBS: London: Employs 270 people
Boston: 130 people
South Africa: 80 people
Australia: 12 people

LAUNCHED: UK: 2003
South Africa: 2005
US: 2010
Australia: 2013

THEIR SECRET? Find people willing to live like hobos, and mates in the Caymans with money burning holes in their pockets... the rest is easy.
Step 1: Find a product

Don’t just find a product, but find a product that people will pay for. This sounds incredibly obvious, and yet it’s where many start-ups first stumble. We’ve all heard the question, ‘what’s your value proposition’, but few companies know how to succinctly describe what they do. Most of the really big and successful ones don’t have that problem, and it’s because they started with the right questions at the beginning of their entrepreneurial journey.

“We began by asking the questions, ‘what do we stand for, who are we, and what do we do,” explains Neil Murray, co-founder and chief technology officer of Mimecast. “Ultimately, it’s not about the product that you create, it’s about what that product means to your potential clients. We developed email products, but what we were really selling at the end of the day was a company’s ability to empty its server room (and save massive infrastructure costs in the process) and have access to its own corporate memory, which is essentially stored in the emails staff send. Almost everything has an electronic trail. How we did that was through the Mimecast product suite. As long as we kept the end in mind, we were always working towards a set goal and product promise for our clients.”

Here’s how the idea unfolded. Together, Murray and Bauer made an observation: Corporate IT was likely to move to the cloud. It was 2003 and this hadn’t yet happened, but they were convinced it would, and they wanted a business that was ready for the shift.

Asking the right questions

“We started off with one simple question: What do we need to create that will empty the server room? In other words, how can we help businesses get rid of the expensive risk management systems that surround email?” says Peter Bauer, co-founder and global CEO.

“We were drawn to email,” he explains. “There are a lot of server boxes dedicated to email, so they take up a lot of space, and space and hardware are money to a business. Store email and related products in the cloud and you free up a lot of space and revenue.”

As a result, Murray and Bauer were able to narrow their focus to four key product areas: Archiving or long-term data management (which requires a very intensive infrastructure), business continuity, email encryption, and security.

Step 2: Find clients

The partners didn’t want to wait until they had a perfect product before they entered the market. The sooner they got clients on board, the sooner they could perfect their ideas in the real world – and, the sooner they’d start generating cash flow. Many entrepreneurs believe they can only go to market with a finished product. In reality, nothing stress-tests an idea better than customers. They needed real-world solutions and feedback to perfect their product suite.
“To pay for the business, we decided to keep things as lean as possible. Peter and I were able to live off the capital of the sale of our previous businesses. My wife and I moved in with my in-laws to extend our runway. We thought the business would take six months to get off the ground. It didn’t. It took two and a half years. I realised things weren’t going exactly to plan when I sold my car... and then my wife’s car, and then my Ducati. Losing the Ducati made me cry, but it bought us a few more months. I also never had time to spend with my family. I came down for meals and then would disappear again. That’s the price you pay for a start-up.” – Neil Murray

Lean start-up methods at work

“Meetings with customers and potential customers is much more valuable than my own thoughts,” says Murray. “It’s all about theory versus practice. We needed to be talking to as many companies as possible, and implementing what we learnt from them fine-tuned our product. We still chat to customers today. They’re our users, and we should be continuously learning from them.” Known as the lean start-up methodology, Murray and Bauer were getting direct feedback from customers as soon as possible to create iterations of the product and service. It meant pivoting where necessary, but it’s resulted in a much stronger, more sustainable business.

Selling the vision

Murray was the development guy, and Bauer was the face of the business which, in his own words, basically meant he paced around and thought a lot. “It was my job to get in front of potential clients. I was selling our idea with screen shots of what the product might look like. It drove Neil mad, because he had to create those screen shots, when what he wanted to be doing was writing code. I used each meeting to really sell our vision. Although companies that joined us were taking a chance on brand new and untested solutions, we would be really focused on the needs of their business. “One of our first clients was a law firm. I arrived at the meeting and they said, ‘Your timing is great. We’re experiencing a spam problem and the company we’re currently working with haven’t fixed it. You have one hour to convince us why we should give you the opportunity to come up with a solution for us.’ They were giving us a chance, and unlike their current provider, our whole focus would be on them, and developing a workable solution.”

Step 3: Build a team

When you’re a start-up, you need to get inventive. “In our case, we first needed an extra developer at the outset,” says Murray. “So we found a deep techie we knew was taking a sabbatical. He had the money to survive while he played around with code, which made him perfect for us. We couldn’t pay him, but he’d be on the ground floor of something great. We pitched the business to him, and he agreed to join us. It’s all about finding the right person. He’s still with us. For the first two years we operated with a tiny team. Tiny teams can be very efficient, mainly because there’s nowhere to hide. You all have to get your work done.”

Hire for the business – not for you

Next, Bauer needed a sales rep. “We were both too distracted because we were holding too many roles. I hated cold calling, so we needed a sales rep. This was a massive gamble without a track record. What self-respecting sales person would take a job with foreigners working in a shared office with a half-built product?”

Their solution? “We decided to hire two people and get rid of the one who didn’t cut it. The strategy worked. We did a ton of interviews, and ended up with a home run. After four months we fired the one rep, and were left with a sophisticated, smart, driven

FROM LONDON TO SOUTH AFRICA

Mimecast was initially launched in London for two core reasons. First, although both South African, Bauer and Murray had moved to London independently. Second, the business arena in the UK capital was ideal for a start-up willing to pound the pavement looking for corporate clients. “London’s a large, business-dense city. It’s incredibly varied, and everything is close, so you can get a lot of customer face-time without long journeys. We always planned to eventually launch in South Africa too, but London was ideal for our initial set-up.”

THE MOVE TO SA

Then, in 2004, much sooner than expected, a friend approached Bauer. “His name was Garth Wittles, and he wanted to launch Mimecast in South Africa. We would be the product and tech support, and Garth would run the market facing side. We were terrified. We were still so small in the UK, we definitely weren’t ready to expand. He convinced us anyway, and ran it as a start-up out of his living room.”

In fact, when the South African office called Murray and Bauer to let them know they’d just signed Transnet with 16 000 users, the founders couldn’t believe it – their biggest UK client was 160 users, a far cry from what was happening down south. “South Africa actually became the market where we really had the time and space to perfect our product,” says Bauer. “There were more problems here that needed solving, and customers were used to slow email, which meant they were tolerant of us taking a bit of time to figure things out, as long as we came up with a solution. It was a great opportunity to refine and improve scalability of systems with a friendly base.”

According to Brandon Bekker, Mimecast SA’s MD, who took over from Wittles while the local business was still in its infancy, because head office was based in the UK, companies also assumed the business was bigger than it was: “Which is how we landed the Transnet deal,” he says. After that, excellent customer support kept it.
guy who I knew would sell the hell out of our products. He had massive self-confidence and a nearly inexhaustible ability for cold calling. He became our sales director.”

The power of cold-calling
“For the first four months he cold-called for nine hours a day, week after week. His rejection rate was 98%, but because of the volumes of his calls, that 2% kept us driving throughout the UK. With blood, sweat and tears, he took us from 50 clients to several hundred. He had a neat little trick with accents too. If he called and was denied an appointment, he’d call back later with a different accent which meant he could take a few shots at the same companies.”

Take advantage of all sales opportunities
“We also used the fact that he was Canadian and therefore had an American accent. It actually made us appear bigger than we were. A lot of companies heard his accent and jumped to the conclusion that this was the American they’d sent out to the UK market. Once they met us they realised who we were and what we did, but by then we were in front of them and able to share our passion, vision and solutions.”

Step 4: Find an investor
By 2005, Bauer and Murray had taken the business as far as they could without getting additional finance. They now needed to start building out their server infrastructure to deal with customer demand. But, they couldn’t get credit, not even a £50 overdraft.

“We needed angel investors,” says Bauer. “We started by asking ourselves what we had at our disposal to raise income. The answer was relationships and a product that worked. I had a friend who worked in the Cayman Islands in the banking sector. We offered them our product. We implemented it for them in the bank so that they could understand what we did. They liked it, and he and some other friends wanted to invest.” The investment was £300 000, and it meant Mimecast could now hire more sales people, developers, central office space and start the process of investing in a data centre — although Bauer and Murray still didn’t pay themselves salaries.

Keeping control by spreading the investment
“The angel investor then introduced us to a VC firm for second round funding, but we didn’t want a big VC investor who would want to be involved in the business,” adds Bauer. “Money comes with strings attached. Instead, we approached multiple investors and only asked for £50 000 each. This gave each investor non-voting shares. We got our money, retained control of the business, and could go back for more funding as the company grew, because each investor shares the risk, and there are a lot of angel investors with spare capacity – particularly when you aren’t asking for too much money.” These decisions meant that the business could grow cautiously with Murray and Bauer maintaining control over the company they had built. EM

CUSTOMERS: YOUR GREATEST ASSET
Customers aren’t only important from a sales perspective. They also give you an unparalleled opportunity to see what your competitors are doing and where they aren’t focusing on the right things. Your customers are your single biggest resource when it comes to creating a competitive advantage – use them! Don’t be afraid to ask them what other companies are doing. It’s a goldmine. Use each sales call to do market research. Ask questions like ‘What do you like about that product?’ ‘What don’t you like?’ ‘What tech are you using?’ We’ve also found that if we share knowledge our customers reciprocate. The more real advice we give them, the more we hear about what our competitors are doing, and what other products our customers are using.

NEVER SAY DIE
» It never occurred to us to throw in the towel – we knew we were building something of value that was future-proof. We had faith that the cloud would be the next big thing, and that all businesses would continue to use email in the future.
» We were never afraid of being poor – it was okay in exchange for doing what we were doing. We’ve always been really passionate about our vision. As long as you have that, you can continue to sacrifice to achieve your goals.
» The first six years were the hardest – and of those, the first two were really tough. There was an infinite amount of work to be done. But each milestone brought us closer to our goal. Our first sale led to a second, and once we had a handful of customers we started getting affirmation that we were right – we were building something our clients wanted and needed. That positive affirmation kept us going.
» The UK and even South Africa don’t have the same mindset as the US. The US has an entrepreneurial culture. Here, you’re almost viewed as a nuisance – why don’t you get a job? That puts a lot of psychological pressure on you when the world doesn’t believe in your right to exist, which makes contact with customers even more important. The more we saw how we were helping them, and got positive feedback in exchange, the more we were able to believe in what we were doing.
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