LEAP 100

City A.M. has teamed up with Mishcon de Reya and other expert partners to identify 100 of the most exciting, fast-growing firms in the UK. They operate at a range of scales and across many sectors, but all are in the process of making the leap to the next level in terms of revenue. We will track the challenges and hopes of this brave and economically vital group, sharing the collective portrait that emerges on this monthly page and at cityam.com/leap-100

Gymbox's irreverent founder built a brand out of making fitness fun

GYMBOX founder Richard Hilton stumbled upon the idea for his company as a skinny 19-year-old living in New York and working in advertising, as we found out at a recent Leap 100 roundtable.

He wanted to bulk up. "The Americans were having a lot more success with women than I was because they were all huge," he explained. He signed up to a gym, but was uninspired and lost enthusiasm after three months. Then he came across Crunch.

"It was an insane environment", says Hilton. Graffiti replaced the usual white walls and live DJs played every evening. One week I was doing boxing with a class taught by Muhammad Ali's trainer, the next week it was taught by a drag queen who just happened to be a great boxer."

Crunch went on to hit a $100m valuation in 1997, when the founder sold out. When Hilton returned to the UK, he spotted a similar gap in the market.

But he didn't want to franchise Crunch, believing it was very American. To quote Steve Jobs: "good artists copy; great artists steal". What made Gymbox a success was its uniquely British brand.

With no experience running gyms – or businesses for that matter – nobody would give Hilton a penny to start the company. But he had a "massive piece of luck". An intro to Fitness First resulted in £2m and support on the logistics of the gym.

"Thank God they did, because if I'd done it on my own, we wouldn't have lasted six months," says Hilton.

He was able to focus on the vision, interior design and marketing.

"At the time in the 1990s the average gym advert was a thin person who used to be very, very fat with a pair of their old trousers, saying 'I lost three stone in three minutes'. I hated it."

The adverts for Gymbox were done through flyposting. "It was illegal then; it's even more illegal now," says Hilton. The first was made up of the following words in boxes connected by arrows: office affair, need shower, Gymbox, home sweet home.

Next came a sign near local gyms stating "better gym this way", with footprints leading to Gymbox.

"We weren't popular, but it had the right effect. Within the first six months of launching, there was more press on Gymbox than the six major operators combined – we were one tiny gym in London. The membership followed as well. We were at two and a half thousand members in the first year."

Hilton bought back the stake he sold to Fitness First, then he scaled the business further by selling out to private equity and buying back the business through management buyouts a number of times. "If you create a great brand, you can't sit still. You've got to harness the power of the brand."

But in 2014 he decided to sell with a view to not buying it back.

Perhaps the best lesson for entrepreneurs looking to be as successful as Richard Hilton is a surprising one: be honest

"I realised I was the one who was going to hold the brand back if I didn't step aside," Hilton says. "I was becoming very protectionist," he admits, as he became concerned with the risk to his own net worth. He still owns 20 per cent of the business, and works at Gymbox one day per week, but he is no longer involved in the day-to-day running of the brand.

Hilton knows how to tell a good story, but it's not guff and it's self-deprecating.

The brand is quirky and irreverent – because that's exactly what Hilton is.

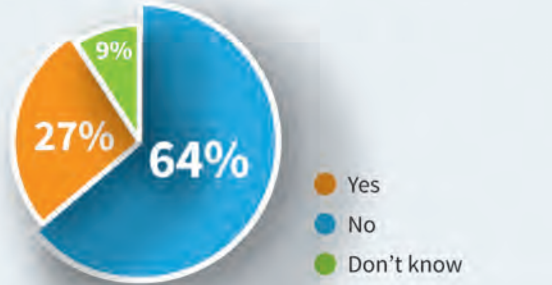
Perhaps the best lessons for entrepreneurs looking to build a brand as successful as Gymbox is a surprising one given the founder's background in advertising and marketing: be honest.

Philip Salter is director of The Entrepreneurs Network, (tenentrepreneurs.org).

LEAPPOLLING

How important is a workplace pension scheme to you in attracting and retaining staff?

Have the auto enrolment rules coming into effect next month affected your business?



TOPRESPONSES

"We offer all the conventional benefits, as well as some unconventional ones, such as a £1,000 gift for any life events (marriage, birth of a child etc).

ADRIA LINDER HEAD OF PEOPLE OPERATIONS OAKNORTH

"Due to the nature of our staff age, pensions don't seem to be high on their list of priorities right now – the leading element we hear is that they want a job they are passionate about.

ROBERT ROWLAND CO-FOUNDER BOOM CYCLE

What to remember when selling your company

MISHCON COMMENT

Andrew Wolfin

SELLING up and moving on is never easy, especially for entrepreneurs who have devoted so much time, energy and passion to building their business. It can often be a balancing act between the head and the heart. It can also be tricky for a buyer looking to acquire a business or brand which is so intrinsically linked to a charismatic founder, as this will need to be carefully managed if the brand is under new ownership.

The process of selling can be overwhelming for entrepreneurs. The cast of players can be extensive, including corporate finance houses, lawyers, co-investors and members of the senior management team who will likely be required to assist in answering the buyer's enquiries.

Inevitably the process takes longer than the parties expect – it might be sensible to allow up to two years, depending on the size and complexity of the business.

A critical part of the process is getting the house in order. Owners who set up businesses with a view to achieving an exit within an envisaged timeframe will need to grow them in such a way as to maximise value and attractiveness to a buyer. However, many entrepreneurs by necessity take short-cuts in the early days when time and budgets are tight.

This means that, when the time for sale comes, paperwork will need to be located and tidied up. And, in many cases, informal arrangements with the founder, such as personal use of assets or staff, will need to be properly documented or terminated, or risk complicating matters when negotiating a sale. This is rarely a welcome process, but necessary if the business is to be presented to potential buyers in the best possible shape and capable of being handed over.

The sale process can be destabilising, so making sure that the right people – and only the right people – are informed at the right time is crucial for continuity. A lot of new visitors walking round the office and a sudden flurry of private meetings may raise eyebrows among the staff and create uncertainty.

This can be particularly acute when an inspirational founder may be exiting altogether. Similarly, employees holding share options will be extremely keen to know what the sale will mean for them.

A key consideration for a founder is whether the exit will be a clean break or whether he or she will stick around in the business for a period post-sale. Often this is dictated by the buyer, especially where the founder is required to ease the transition, settle the staff, or remain publicly linked to the brand. A buyer may put some of the purchase price just out of the seller's reach, contingent on the business remaining stable, hitting agreed targets, or the founder staying attached in some way.

With all of these pressures, getting head and heart aligned is a challenge. And even when the sale goes through, the process of stepping back and letting someone else take control can be difficult for a departing entrepreneur – often there is no way back, so the decision to exit needs to be considered carefully.

But perhaps one of the toughest questions for a founder post-exit is what to do next: entrepreneurs rarely sit still, so after the novelty of relaxation dissipates, twiddling thumbs can quickly become itchy feet.

Andrew Wolfin is legal director at Mishcon de Reya.

IN PARTNERSHIP WITH ten THE ENTREPRENEURS NETWORK

MISHCON THE LEAP

LEAP COMPANY SPOTLIGHT

WOLF & BADGER

Wolf & Badger connects customers with independent fashion and design brands around the world, and was borne out of a mission to create a level playing field for industry players.

Launched in 2010 by brothers Henry and George Graham, the company started out as a single store in Notting Hill.

But now the business generates 90 per cent of its sales through its website, shipping orders to customers in more than 100 countries.

George says that it had previously been near impossible for smaller fashion brands to gain a foothold in the competitive fashion market, adding: "people were incredibly bored of seeing the same international 'mega brands' again and again wherever they turned".

But Wolf & Badger sought to change all that, and now sells more than 600 brands to fashion savvy consumers.

Its seen sales double year-on-year, and has now branched further into the US with the launch of a new flagship store in New York. George says that the group is now turning its sights to launch more stores internationally.

The company has recently turned its attention to ethical production values in fashion, and will be kicking off London Fashion Week with a party in its Mayfair store to celebrate independent talent.

Businesses are in a race against the clock to get ready for GDPR

MISHCON COMMENT

Adam Rose

IN LAST month's Leap 100 poll, 65 per cent of respondents said that they were "a little concerned" about the approaching EU General Data Protection Regulation (GDPR). In fact, only 12 per cent were "not concerned at all".

GDPR is the new set of rules which are coming into full effect across the EU from 25 May 2018 – and that includes the UK, Brexit or not. GDPR will be directly applicable in the UK from that date, and the British government has made it clear that, even after Brexit, the UK intends to essentially keep GDPR in place, as British law.

Two of the key features of GDPR are an increased focus on transparency (telling people what you plan to do with their personal data), and accountability (recording what you are doing to comply with the law). Other major themes include the concepts of "data minimisation" (only collecting and processing the minimum amount of data that you need for the purpose you are seeking to achieve), and only keeping that personal data for as long as is necessary for the purposes for which you are holding it.

In other words, it is made very clear that, while "big data" is seen as a good thing, even bigger data is not. On top of that, individuals have a number of rights – including the right to see their data, to correct it, to transfer it, and to delete it.

The other talking point around data collection is whether you need to get the person's consent, and what consent means.

Consent is one means of making processing lawful – but it will often not be the best way, and in many cases will not be the right way at all. If you need to collect data in order to perform a contract – for example, you need my address to deliver my online shopping to me – you can rely on that.

Similarly, if you have a legitimate interest in processing my data which does not interfere unduly in my rights, you can rely on that instead.

The final big issue is around fines. Under GDPR, fines for breach could hit the higher of €20m and four per cent of global turnover – but the UK's information commissioner has been at pains to dampen concerns about that, indicating that much lower fines should be anticipated. Even so, a serious breach could lead to a very serious fine.

> **Two key features of the new rules are transparency and accountability**

So what should businesses be doing now? In order to work out what you need to do to comply with the law, you need to have a clear view of: what data you are collecting; how you collect it; where you store it; why you hold it; what you do with it; how long you keep it; and how securely is it being kept.

You can do that by speaking to the relevant people in your organisation and gathering your evidence. You can also undertake a review of the IT systems you are using to trace the data's journey. What you cannot afford to do is to assume everything is fine without further enquiry – 41 per cent of respondents to the last poll said that they had invested no capital in ensuring their systems are GDPR compliant.

That's a pretty worrying thought.

Adam Rose is a partner and head of data protection at Mishcon de Reya . If you would like to know more about GDPR, please feel free to email TheLeap@Mishcon.com.

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