

Andreas:

Welcome everybody to the future of business, where we take you on a journey to explore the diverse range and sectors embedded in the Oxford MBA cohort and beyond, and how they will shape the future of business. My name is Andreas and I will be hosting our conversation today with Mario [inaudible 00:00:21]. We going to talk about his work in venture capitalism. Mario is a friend of mine. We also have many friends in common. And he works with The Oxford Seed Fund here in the business school. Mario, thank you so much for coming out today. Why don't you briefly talk about yourself.

Mario:

Andy, thank you very much for having me here. I've heard several of the previous versions, and I love being part of the podcast now. On my side, I'm from Colombia, and I would say that I'm both a venture capitalist and a sports enthusiast. So I spent my last years back in Latin America working in the investment industry with startups, digital economy, digital models, FinTech eCommerce, SaaS marketplaces, all that there's to see done in the region, and also doing the other thing I love to do most, and it's doing sports.

Andreas:

I think you're playing football, and football is one of the reasons I left Germany. But before we dive into VC, let's briefly talk about our time here in Oxford. The year's coming to an end. Hard to believe. What moments from your time here in Oxford will you remember?

Mario:

Yeah, this is a really emotional moment, I think for all of us, the year coming to an end, many friends leaving, others are staying, and us picturing and beginning to build what's going to be the next chapter on our lives. I think that, on my side, I have a couple of moments I would highlight, one on the, let's say on the professional side, also on this venture capital side. And with a couple of friends here, we were able to win the European finals of the venture capital investment competition.

Andreas:

Well done.

Mario:

... an American... Thank you. An American competition in analyzing startups and performing due diligence, investment. It was really good. And when we won that, we were thrilled. It was one of the highlights of our year. And well, that meant we eventually went to the finals in the states, but that didn't go well, but winning the European finance was really good. And on the other side, on the more personal side, one of the moments I cherish the most was when a bunch of us went to Finland to see the Northern lights back in January. And there was just this night when, on our first night out, we were able to actually see the Northern lights. That's something that not everyone is lucky to do, even when people try and travel there for it. And it was, yeah, say 60, 70 people in a frozen ice lake dancing to music beneath the Northern lights. And that was a magical moment for me, and I know [inaudible 00:03:21]

Andreas:

That does sound like a magical moment, and it also sounds like the beginning of a very, very scary movie. I, for one, I will probably end up scrolling through my LinkedIn posts when I remember this, but it

truly has been such a fruitful year. Let's dive into VC. You already talked a little bit about the different areas you worked in. And can you really just briefly tell us why this kind of work is important to you?

Mario:

Of course. I got into VC, we might say by accident, back in 2015, I graduated from university in Colombia with a major in business and finance. Back then you worked in... You were pushed or encouraged to go to investment banking, but I managed to get a job in a Spanish firm that invested in startups. And they had venture capital funds around the world, three in Spain, one in India, and our fund in Latin America that had operations in the whole region except Brazil. So we were analyzing companies between Mexican Argentina, including Colombia, Chile, Peru. And while I got in this world, let's say by mistake again, I really became in love with it. I really became in love with the idea of meeting new entrepreneurs and new business models almost every day, learning essentially from people that are smarter than you, because no one knows their company and their business model as the entrepreneur that is working on it 24/7.

And that also sparked my curiosity. So every time I learn about a new business model, I had to investigate, okay, where did this come from? Why is this happening? Is this that I'm seeing here in Colombia, in Peru, the same that's happening in the states in Europe, in India? So that sparked a lot about making me... That made me research a lot, get to know many more things about different regions and different countries in which I've never been.

Andreas:

Cool.

Mario:

And that was really amazing.

Andreas:

Yeah, it kind of speaks to me the idea of looking at different business models and exploring all kinds of different methods and different regions. I used to work with different monetization methods for video content, and I kind of like the ideas were to discover a new way of doing it every time. Now let's kind of try to dig deeper into venture capitalism and dissect some of the work you're doing. What I'm always fascinated with is the way venture capitalists make decisions. So you have a pot full of money, and you can invest that into companies. Can you talk a little bit about the criteria you use when you select and evaluate companies?

Mario:

Of course. And I've been fortunate enough to have worked with this venture capital Spanish firm, but also with... I had some time with a Mexican firm, and the last year here at SBS with The Oxford Seed Fund. And it's interesting how everyone has different thresholds or exact metrics, but in the big pictures, we all look for the same things. And I would say four things, the team, the market, the product and its differentiation, and last, the unit economics and/or the traction.

Andreas:

Okay. That's already a lot less financial service than I expected. Maybe let's briefly talk through these four ones. So the first one is the founders team. What are you looking for when you're meeting a team that serves a company?

Mario:

Yeah, that's a really tricky one because it's mainly soft skill based. So you want a team... First of all, some people like teams, not solo founders. I personally don't have anything against solo founders, but people like teams that can compliment each other and have good working dynamics, so two founders, three founders. And essentially what venture capitalists look for, it's a team that knows what the market, and a team in which they can see the desire of, let's say conquering the world, while also keeping humble attitude towards the business and the relationship with the investors. So it's quite interesting because you want people that know their thing, know their business model, but also that you can be able to coach, so coachable in a way.

Andreas:

And you probably look for people who are as committed as you are. So I think quite often people... What I see is what I feel myself, is like, I don't want to start a company because I'm not willing to put in my own money or all of my time. I'm not willing for the level of risk. And clearly if you put your capital at risk, you expect them to have a similar level of commitment. Let's move on to the next point. We talked about how the market in which the company is looks like, and maybe also about the third point, the product, the differentiation. Can you describe a little bit how you would evaluate whether or not a company has potential to really create returns in the market?

Mario:

Well, in terms of the market, investors tend to analyze deeply what's happening in terms of the external market on the internal market. And to give you an example, back when the, streaming industry, that you know very well, began thriving, well, one of the things that investors analyzed here was, what's happening with the streaming market? Is there more money flowing? Is there more users? Is the big players that... I don't know if... You know this better than I. Maybe it was Netflix one of the biggest ones. Are there more uses getting into this industry? Is this growing? Is this not growing? What are the expectations of the market? It's rare that a VC investor invests in a market that is not growing. So streaming made sense. Now, blockchain FinTech, those markets are growing. You have more users, more internet penetration, more smart for penetration. Those are all fundamentals that enable digital businesses.

Andreas:

So the total market size is expanding.

Mario:

Yeah.

Andreas:

[inaudible 00:09:39] the keg's getting bigger.

Mario:

Exactly

Andreas:

The keg's getting bigger.

Mario:

You can compare that with, for example, the mattress industry. The mattress industry is not growing at tremendously high rates.

Andreas:

There's more single households. I guess they need more mattresses. But so I kind of see how different markets function differently, and some are contracting and some are expanding, and it can also change very quickly, as we see in streaming right now. Now they're all buying each other and suddenly it's contracting, but let's move forward to what's happening within vendor's market. Let's talk about how you would look at a product or service and how it's differentiated against competitors that are competing for the same [inaudible 00:10:18].

Mario:

Exactly. And that's the perfect match with the market. You have a big market or a market that's getting bigger, and now you need to understand why this product is going to win. Why are you going to be the winner? What is the either tech or the strategy to get that product into the market, going to be the winning strategy? So again, taking the streaming example, why is this product going to be able to make a difference? What is the competitive advantage that you have with your peers, with the competitors? Right now, from my humble, maybe a little ignorant perspective on streaming, I don't see a lot of differentiation aside from content between you talk about Netflix, Amazon, or whoever's else is there. But back in the day when it was almost just Netflix, there was a big difference, a big competitive advantage I see between them and the traditional broadcasters. And you can see in many ways is your technology what makes you different? Is that your team? Is it that you're solving a...

Are you solving a need from the customers, or is this just a nice to have? All those things come from the product.

Andreas:

Yeah, and I think at the same time, how hard will it be for a competitor to copy what makes you special? So what are barriers for entry? Is that maybe... The other day, I bought a startup and I said that what is unique for us is our business model. But at the end of the day, your business model is public. Everybody else can copy your business model. But if you say, what makes us unique is a patent that is protected by law, or a specific technology that only we have, it's much easier to defend your position within the market. Let's move on to the fourth part that you are evaluating when looking at a company, and that is the unit economics.

I come from the word of streaming, where we only have fixed costs. You make a movie or TV show, and then we give it to anybody who wants it and gives us some sort of money. And we absolutely don't care about the unit cost because it's only fixed cost, but it's obviously not the case for most people. So can you talk a little bit about how you are looking at the unit economics when talking to a startup?

Mario:

Yes. The units economics and the traction are key aspects, particularly the older, and I quote, the "older" the startup is, because for pre-seed, there's no traction or a lot of units economics, but all the startups in seed series A, series B, maybe even beyond, they're losing money. And what investors are interested in knowing is, does this have the potential to term profitable? And for that, basic analysis of unit economics takes us to see, how much am I getting, let's say in a month for this product, and how much is it costing? And the basic example I use all the time is delivery companies. How much money is Andreas spending in Deliveroo? How much money he spends in his average ticket every time he orders? How many times he orders a month? From all that money, what's the margin that delivery gets from Andreas.

And then from those simple numbers, we can know that Andreas orders an average of 15 pounds per order, twice a month, so that's 30, considering the margin. Maybe they get Deliveroo stays with 10 pounds out of those 30 pounds, the rest for the store. I don't know. But how does Deliveroo work with those 10 pounds? Those 10 pounds have to go for the market team for having Andreas captive. So how big is that little margin, and how much bigger... Sorry, how many Andreas do I need to have to make my company profitable? But it's an analysis more of a one by one cases, analyzing either the transaction on itself or the user, or the Andreas in itself. And that's something, as you said, less financing in a way than private equity or leverage bios, or all those things that big finance people talk about. But it's also quite powerful, because without getting deeper into finance, it gets you to understand why does this eventually work financially?

Andreas:

Yeah, absolutely. So now I went through a couple of criteria, and I just kind of want to sum this up together. If I was to pitch one of my amazing startup ideas, because I really want to start this little pancake shop, would you agree that if I put together deck and I talked with these four points, the founders team, the market we're operating in, the product and its differentiation, and the unit economics, would that give you, more or less, a complete picture, or is something missing?

Mario:

I think that would be the complete picture. Again, there's a lot here in every one of these points that adds up to a, let's say a fifth dimension that it's your strategy. So how you're going to get it to the market?

Andreas:

Yeah.

Mario:

But not to over complicate it to the five or 10 components of a pitch deck. For me, these are the four main things.

Andreas:

Okay.

Mario:

Because good founders are going to have a good go to market strategy. If you have a good product, you're going to be able to reach the market. But yeah, those four things, and having in mind this little, how am I going to lay out this?

Andreas:

Okay, perfect. I think that's actually really useful for somebody who's starting a company, and a lot of people would pay a good buck just to speak to [inaudible 00:15:41] once. And here there's people here straight from BC. That's how you pitch a company. And you and I, Mario, I think let's move on a little bit and let's kind of zoom out, and let's get away from individual companies and how we evaluate them, and let's look at different regions. What I love about Oxford is that our program is so incredibly international. There's more than 70 countries here. I've got friends from Turkmenistan, I've got friends from small Pacific islands, I got friends from Hawaii, and it's a big island in Pacific, friends from Africa. And obviously all these markets [inaudible 00:16:18] differently, and you have now had some insights into different regions in the world. And I think it's really fascinating to understand what makes stem unique, and especially I want to compare differences between the Latin region that you worked in before and more developed market like the UK and the US.

Can you talk a little bit about what are the differences for VCs, when working either in Latin America or in markets like the UK?

Mario:

Yes. I think that there's... That's one of the highlights for me, as well as of the MBA, being able to meet an amazing group of over 300 people from many different places. And for the VCs, this geographical diversity you might see in their operations affect mainly three aspects. The main risks investors see in a region like Latin America, that might be currency risk and political risk. That'd be one. The liquidity of both available investment money. So, how many venture capital funds are investing, and let's say, how many startups do they have to analyze investing? That would be two, liquidity. And number three, some fundamentals about the market. And when I'm talking about this is how, for example, in Latin America, and maybe in other places like India were the delivery, and specifically Latin America, where the delivery of your local delivery, that's called [inaudible 00:17:44], it happens in a bike. Whereas [inaudible 00:17:47] other places might be in a car. That means that your unit economics are better, because if you just have to pay \$1 to the delivery person for this, it's way easier to eventually be profitable.

Andreas:

Yeah, absolutely. I mean, I can clearly see this. In Germany, if you are on Uber eats, on Deliverable, it's quite likely that somebody walds up in a car and a four wheeler. And he might even be employed or getting minimum wage, or he is part of the [inaudible 00:18:16] economy. And at the same time, in other markets like Latin America, India, he probably uses the bicycle, there's much smaller costs, and there's a large informal sector in the market were wages are really differently.

Mario:

But there's also an additional aspect there, and it's the fundamentals of the other people. So back in the day, I was pitching to the partners that are from Spain, a really interesting company that's... It was essentially a marketplace to buy your bus tickets online, as we do when we go from Oxford to London. And long story short, not to take all the time on this, but the investment didn't go through because they found it hard to understand that people were demanding highly, bus transport, because they live in Spain. They grew up with trains. The train system there is amazing. And they just didn't understand that

we in Latin America, in Colombia, in Mexico, in Peru, in Chile, we take the bus a lot. So those small fundamental difference of the market do make a difference.

Andreas:

Yeah, absolutely. And just to stay on this example, talk about regulation. I once tried to book a bus ticket in Turkey, and then I couldn't. And it took me 20 minutes to figure out why, and it was because the seat next to me was booked by a woman. And in Turkey, if you book a bus ticket, you can't sit next to somebody from the opposite sex unless you're married to them. And it blew my mind as a customer, because it never occurred to me it could be a thing. So these companies need to be careful in how to structure their booking systems so they don't lose capacity just because of regulation like this.

But let's move on a little bit. So we talked about the market. You briefly mentioned risk. So clearly, one is currency risk. I think it's quite apparent right now with what's happening with in Russia. And also at the same time, the political risk. You might be investing in a company in a different country, and you should see the currency decline or the political situation changing. Do you think there's ways to mitigate this risk, or would it just stay out of certain markets?

Mario:

This is a great question. In terms of the currency risk, for these type of investments, there are small investments, small companies, it makes no sense for you, as an investor, to engage in advance hedging mechanisms, derivatives. For small investments, it makes no sense, and it has been proven unsuccessfully in the past. What people typically tend to expect here is that if the... The companies are going to grow so fast, that you're not going to be able to be affected greatly by inflation.

Andreas:

Perfect. So this is too many differences we discuss the different market and different risk. And the third one, you talked about the liquidity of capital and startups. So for me, this is probably a question of scaling amount. So how big is the market I'm operating in? How many funds are there? How much capital is liquid in the market? And also, how much choice do I have looking at startups? Do I get 10 pictures a year that I can consider, or hundreds? And I guess, that's a guess now, that in Latin America, you end up grouping markets, and considering not just Colombia, but building your office, I think you said from Mexico to Argentina. Is that kind of how you deal with this?

Mario:

Yes. Typically you have the big investors that have been investing in the region for, let's say the last five, 10 years, and they tend to have a regional scope. One market is not enough sometimes. Mexico is the largest market. Some investors just focus in Mexico, but it's quite common for you to analyze all the bigger economies there, Mexico, Colombia, Peru, Chile, and Argentina. And yeah, it's exactly what you were saying. How many investors are there? How many startups? And the investor thing gets us to a little bit to what one might see happening now, or that happen in the later years in the VC industry. And it's the fact that if you have... As we had, when I was investing in the region, Mexico had several funds. Peru had zero funds. Columbia had three or four.

So essentially, you're not fighting with any other fund for evaluation. Whereas when you have a lot of money available, a lot of funds, and you see that especially in the states, a little bit here in the UK. Well, sometimes the competition between funds for good startups ends up being a question of money. And sometimes that's how you get a company that might be worth, let's say 10, get a 20 or 25 million

dollar valuation or billion pound valuation, because there's a competition there, and that's something that you... When you invest in these liquid regions, you have that, let's say that advantage.

Andreas:

Yeah. It's also kind of interesting to look at how fragmented regions are. So Latin America, there's a lot of different currencies and political environments, but there's only a few languages compared to, for example, south Asia, where there's a fast amount of languages and currencies, and a couple of really, really, really big markets. So thinking about all these different markets and different aspects of VC, let's kind of come back to your own experience. So many people are using the MBA to make a pivot, and you are somewhere between different regions now. And I'm just curious understand what impact do you want to have after the MBA?

Mario:

Well, now I'm looking forward to opportunities of applying all my experience in VC, but here in the UK. So as we were discussing different market, bigger market with different challenges, but then what I'm aiming to do is to be able to, as they say, make it to the venture capital or investment industry here. And I want to be able to learn at the same time that I give the firm I work with the opportunity to see things maybe from a different perspective. I have my own thought in VC, and I think that it's different to what some people see here.

Andreas:

That's quite powerful. I think this is a great aspiration. How is the Oxford MBA helping you with that?

Mario:

Well, I think in three main ways. So the first one is that the Oxford University, the Oxford brand, and the Oxford people I've been meeting are key assets for me being able to network and to know who are the key investors out there, and that's a key aspect for make it into the industry. So in VC, key aspect, key asset is the network you have. And particularly The Oxford Seed Fund, that's the Oxford University's student led venture capital fund, has been a great experience for me through the year. During the last 12 months, we engaged in getting to know each other. It's 11 MBAs. We reengage in organizing how we were going to work through the year, and we essentially managed to source over a hundred applications from startups only from Oxford related entrepreneurs. And we performed analysis and due diligence on all these startups, and we're selecting...

Actually this week's our last investments. So it has been great because it has helped me get to the UK landscape, understand more what's happening here, understand what are the trends and the tendencies that you can see in this this place. But it personally also helped me to go a little bit to a different level because I was always investing in series A, series B, so more mature startups, one might say, three, four years of operation. And The Oxford Seed Fund is precedent seat, so I've been also having to go to another level when I know that I have to focus in different aspects, not just the numbers, the units, economics, but a lot more in people, in teams, in markets. So it's been really good for me to compliment my experience, and let's say to feel that my analysis of venture capital investor are 360 degrees, if that makes any sense.

Andreas:

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Amazing. I really do think that The Oxford Seed Fund is one of the greatest opportunities to grab in the MBA. You guys are investing real capital into real companies [inaudible 00:26:43] they're being here. And I'm friends with many of the people in the seed fund, and I've been told that you're doing a really good job there. And that is probably a good note to end this talk on. So thank you so much, Mario, for coming out for taking the time. It's been very insightful for me. And I wish you all the best for the next couple of years.

Mario:

Thank you very much, Andy, again, for having me here. I really love being able to share all this with the people out there. And hope you and everyone listening also has a great end of the year.

Andreas:

And thanks to the audience. Thanks, guys for listening in. Hope to have you back next week for another episode of The Future of Business podcast,