

Plain sailing

Speed to market has been crucial for Vesper Marine. BY CAITLIN SYKES

LESS THAN 24 hours after leaving home on her quest to become the youngest person to sail non-stop and unassisted around the world, Jessica Watson lived every sailor's nightmare. Her yacht hit a cargo ship.

Thankfully, the Australian teen escaped injury and her boat was repairable. But before Watson set off again, she enlisted the smarts of a Kiwi company to help avoid a similar disaster.

Auckland-based Vesper Marine's collision warning system, the AIS WatchMate, was installed on Watson's yacht, Ella's Pink Lady, before she left Sydney last October — "and she hasn't hit anything else", the company's co-founder Jeff Robbins proudly reports.

Robbins and wife Deirdre Schleigh founded Vesper Marine in late 2007, and already the company's sophisticated but easy-to-use marine safety products are garnering converts among high-profile and everyday sailors alike. With products available in 16 countries, the company is on track for sales growth of around 200% this year and recently attracted just under \$1 million of investment.

Schleigh and Robbins are experienced sailors and the company grew out of their own desire to stay safe on the water. When the couple left their native US in 2001 on an open-ended sailing trip on their yacht, Vesper, the spectre of a collision at sea was always in the back of their minds, says Robbins.



Australian teen Jessica Watson sets sail on her solo around the world trip, with the help of AIS WatchMate



"Everybody who's sailed any distance, even in a harbour, has a story to tell about some close call," says Robbins. "And when you talk to people who have cruised across oceans you realise how common that is."

When changes in international maritime law made Automatic Identification Systems (AIS) mandatory for all ships, the couple got thinking about how they could harness and use the data such systems send out about vessels' identity, speed, location, course and the like.

Robbins — who has a software and product development background — admits he ended up getting "carried away", producing a hand-built, hand-programmed prototype of what became the WatchMate.

It accompanied the couple as they crewed a friend's boat across the Pacific in early 2007, proving its worth from the outset. While heading out of Panama the system was able to identify the small handful of vessels among the 125 surrounding ships that the sailors needed to monitor.

"The light bulb went off for us then," says Robbins. "This just took what could have been an incredibly stressful situation and completely de-stressed it."

On the way back to New Zealand, the couple decided to start Vesper Marine.

The company started in October 2007 and launched its first product six months later. Speed to market for the startup was crucial for two reasons: it gained first-mover advantage and cash in the door. As Robbins puts it, "there's no better source of capital than customers". It was a challenging period, Schleigh admits, during which they had to learn a host of new information and skills. Demand for the product, however, was like throwing a switch, says Robbins.

Other warning systems were available, but generally buried in the menus of marine electronic products that had a host of other functionalities. With its single focus as an early warning system, the WatchMate is simple to install, presents easy to interpret information and only raises alarms of real concern. Another key differentiator is its low power use, meaning it can be left on at all times and not drain a vessel's often limited power supply.

GTS Consulting is Vesper's North America distributor. Its founder, Steven Gloor, says he was attracted to WatchMate because it dealt with AIS differently, and in more depth than other available products. "Now the momentum is picking up with a better understanding of what AIS and the WatchMate in particular can do for the safety of the recreational boater," Gloor says.

Vesper hit the market quickly with a simple version of its product, but Robbins and Schleigh have a clear vision of the longer-term product development path. Robbins says this approach has allowed the company to learn from customers as it goes and make changes to its offerings accordingly.

About a year ago Vesper joined the government-funded Escalator programme, which helps small, high-growth companies seeking investment. As a result the company gained a capital injection of just under a million dollars; members of the Ice Angels investment group and the New Zealand Venture Investment Fund (Seed Fund) are among those now joining Schleigh and Robbins as shareholders.

The pair say the funding allows them to accelerate down their product development path and boost the company's marketing efforts. They recently took on a second full-time engineer, and are looking for another, as well as a staffer to take on business development.

The pair admit they don't get out as often as they'd like on Vesper these days, but she still gets wind in her sails. "You've got to have a test bed," says Robbins.

COMING ONBOARD

Mark Robotham, general manager of the Escalator Investment Ready Service, outlines five points that identify an investment-ready company, with reference to Vesper Marine's journey:

1. Realistic valuation expectation: Most entrepreneurs are out of touch with market valuations and the process of doing a clean deal. They forget to correctly account for the huge opportunity cost in closing a capital raising round. They attack the investment market with an overinflated assessment of their company's worth only to become another entrepreneur claiming there are no angel investors in New Zealand.

Deal making is a three stage game: P&L forecasts; valuation model(s); and negotiate terms. Vesper wisely sacrificed a little on valuation for a clean deal (with few terms). It appointed new directors who can add value, and has investors capable of leading the charge if future rounds of capital are required.

2. Clear pitch: People need to understand what the company does and how it makes money. WatchMate is an electronic product with a clear product margin, supply chain and business model, with other strategic options open.

3. Sales momentum: Real customers mean real dollars coming in on a regular basis. Once you have nameable clients and sales, your chances of gaining investment skyrocket.

4. Clear beachhead market: This is preferably export with multiple revenue streams. Vesper has already begun exporting and had some experience with both leisure and commercial applications.

5. Coachable founder: Having worked with Jeff at Escalator I saw how he was open to seeing things differently and adapting.