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# Fashtech

Daniel Knight and Brianna Kenna of K&L Gates talk financial technology.

**K**EEPING UP WITH the latest finance news has not been a high priority for fashion designers in the past. However, an emerging sector called FinTech may just provide you with the platform to fund your expanding fashion label or allow flexible payment options for your customers.

## Customer Payments

Perhaps the most important aspect of any new business is ensuring your customers can pay you. Cash payments are now almost a thing of the past, with most consumers opting to pay by credit, debit or even via apps. New solutions are needed, especially for online sales made to overseas customers. Here's a round-up of some innovative payment options that will ensure you never miss a sale again.

ates significant growth potential, however, it can also expose you to increased complexity and risks such as failed payments, currency movement and transaction fees. There are now a number of platforms that make international trade simple by providing a local customer experience and offering a dynamic range of payment options. Many of them also capture data that provides a valuable insight into what turns a quick browse into a sale.

## Raising Capital

A common issue faced by start-ups is how to raise the cash to get your business off the planning table and into reality. Traditionally, sourcing funding has involved approaching a bank with your business plan and market research clutched in your hands. This can make it extremely difficult for up-and-coming fashion labels which might struggle to translate vision and potential into statistics. New funding options, such as equity crowdfunding or marketplace lending, give businesses the opportunity to share their pitch with a much wider range of investors, typically via an online platform. Investors are free to invest as much or as little as they want, subject to any minimum or maximum limits that apply.

**Equity crowdfunding:** Crowdfunding is not new and platforms like Kickstarter have brought many innovative products to market. However, equity crowdfunding is relatively new to Australia. It is a method of raising capital from a broad group of investors, to fund businesses in return for ownership of a small part of the company in the form of shares. An investor's return is directly linked to the success of the business, as they will share in the profits of the company through

dividends or increased value on sale. Crowdfunding can be a valuable source of funding, particularly for fashion start-ups seeking an initial injection of cash, but there are currently some regulatory barriers. The Government is working on proposals to open up crowdfunding for Australian businesses and investors.

**Marketplace lending:** Marketplace lending (also known as peer-to-peer lending) describes an arrangement where individual investors are connected with businesses looking for small to medium loans. Loans can be unsecured or secured over business assets or even over a bundle of invoices. These arrangements are typically facilitated by an online platform that connects potential borrowers with potential lenders. Because of this, lending decisions are often substantially automated and borrowers may get access to funds quicker than traditional bank lending channels. Australia already has a developed marketplace lending industry, with a number of platforms already up and running.

Unlike equity crowdfunding, investors do not receive a share in your company and their return is based on an agreed rate of interest paid across the term of the loan, rather than a share of profits. While it is tempting for designers to focus on the creative aspects of running a fashion label, don't underestimate the importance of having a secure financial framework. It could be the one thing that propels your fashion brand to successfully take off. ■

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**Micro merchants:** High start-up costs, monthly fees and merchant charges can make accepting credit card payments expensive for small businesses. However, there are now a number of providers which offer you the flexibility of accepting card payments with no lock-in contracts or monthly account fees. Many of these services also offer flat transaction fees and free or inexpensive card readers. The added bonus? They're much sleeker and more stylish than your average clunky EFTPOS machine and can operate portably.

**E-commerce facilitators:** Selling your goods to international buyers online cre-

*For more information about issues relating to Fintech please contact Daniel Knight, Senior Associate at K&L Gates (Daniel.Knight@klgates.com). This article is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer.*